

**INTERIM REPORT  
FOR THE SIX MONTHS  
ENDED 30 JUNE 2012**

Limassol, 9 August 2012

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## **DIRECTORS' REPORT ON THE COMPANY'S AND GROUP'S OPERATIONS**

We have prepared this report as required by Paragraph 82 section 1 point 2 of the Regulation of the Ministry of Finance dated 19 February 2009 on current and periodic information to be published by issuers of securities and conditions of recognition of information required by the law of non-member country as equal.

### **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

In this six month report all references to the Company apply to ASBISc Enterprises Plc and all references to the Group apply to ASBISc Enterprises Plc and its consolidated subsidiaries. Expressions such as "we", "us", "our" and similar apply generally to the Group (including its particular subsidiaries, depending on the country discussed), unless from the context it is clear that they apply to the Company alone.

#### **Financial and Operating Data**

This six month report contains financial statements of, and financial information relating to the Group. In particular, this six month report contains our interim consolidated financial statements for the six months ended 30 June 2012. The financial statements appended to this six month report are presented in U.S. dollars and have been prepared in accordance with International Accounting Standard ("IAS") 34.

The functional currency of the Company is U.S. dollars. Accordingly, transactions in currencies other than our functional currency are translated into U.S. dollars at the exchange rates prevailing on the applicable transaction dates.

Certain arithmetical data contained in this six month report, including financial and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this six month report may not conform exactly to the total figure given for that column or row.

#### **Currency Presentation**

Unless otherwise indicated, all references in this six month report to "U.S. \$" or "U.S. dollars" are to the lawful currency of the United States; all references to "€" or the "Euro" are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty, which means the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 October 1997) and includes, for this purpose, Council Regulations (EC) No. 1103/97 and No. 974/98; and all references to "PLN" or "Polish Zloty" are to the lawful currency of the Republic of Poland.

All references to U.S. dollars, Polish Zloty, Euro and other currencies are in thousands, except share and per share data, unless otherwise stated.

### **FORWARD-LOOKING STATEMENTS**

This six month report contains forward-looking statements relating to our business, financial condition and results of operations. You can find many of these statements by looking for words such as "may", "will", "expect", "anticipate", "believe", "estimate" and similar words used in this six month report. By their nature, forward-looking statements are subject to numerous assumptions, risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by the forward-looking statements. We caution you not to place undue reliance on such statements, which speak only as of the date of this six month report.

The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this six month report.

## Part I Additional information

### 1. Overview

ASBISc Enterprises Plc is one of the leading distributors of Information Technology ("IT") products in Europe, Middle East and Africa ("EMEA") Emerging Markets: Central and Eastern Europe, the Baltic States, the Former Soviet Union, the Middle East and Africa, combining a broad geographical reach with a wide range of products distributed on a "one-stop-shop" basis. Our main focus is on the following countries: Russia, Slovakia, Ukraine, Poland, Czech Republic, Belarus, Romania, Croatia, Slovenia, Bulgaria, Serbia, Hungary, and Middle East countries (i.e. United Arab Emirates, Saudi Arabia, Qatar and other Gulf states).

The Group distributes IT components (to assemblers, system integrators, local brands and retail) as well as A-branded finished products like desktop PCs, laptops, servers, and networking to SMB and retail. Our IT product portfolio encompasses a wide range of IT components, blocks and peripherals, and mobile IT systems. We currently purchase the majority of our products from leading international manufacturers, including Intel, Advanced Micro Devices ("AMD"), Seagate, Western Digital, Samsung, Microsoft, Toshiba, Dell, Acer, Apple, Lenovo and Hitachi. In addition, a significant part of our revenue is comprised of sales of IT products under our private labels, Prestigio and Canyon.

ASBISc commenced business in 1990 in Belarus and in 1995 we incorporated our holding company in Cyprus and moved our headquarters to Limassol. Our Cypriot headquarters support, through three master distribution centres (located in the Czech Republic, the United Arab Emirates and China), our network of 33 warehouses located in 26 countries. This network supplies products to the Group's in-country operations and directly to its customers in approximately 75 countries.

The Company's registered and principal administrative office is at Diamond Court, 43 Kolonakiou Street, Ayios Athanasios, CY-4103 Limassol, Cyprus.

### 2. Executive summary for the three and six months periods ended June 30<sup>th</sup>, 2012

**Following summary must be read in combination to the information on factors affecting the Company business for the period reported.**

**In both Q2 2012 and H1 2012 the Company has managed to increase its revenues compared to Q2 2011 and H1 2011. This was possible because of stronger market position of the Company. The Company was also able to decrease impact from volatile currency market on its results and that enabled it to produce net profit in Q2, increasing profits of H1 2012.**

**The principal events of the three months period ended June 30<sup>th</sup>, 2012, were as follows:**

- Revenues in Q2 2012 increased by 20.76% to U.S.\$ 365,755 from U.S.\$ 302,880 in the corresponding period of 2011.
- Gross profit before currency movements in Q2 2012 increased by 8.01% to U.S.\$ 16,917 from U.S.\$ 15,662 in the corresponding period of 2011.
- Gross profit after currency movements in Q2 2012 increased by 10.91% to U.S.\$ 16,240 from U.S.\$ 14,643 in the corresponding period of 2011.
- Gross profit margin before currency movements in Q2 2012 was 4.63% compared to 5.17% in the corresponding period of 2011. Gross profit margin after currency movements was 4.44% compared to 4.83% in the corresponding period of 2011.
- Selling expenses in Q2 2012 decreased by 11.21% to U.S.\$ 8,590 from U.S.\$ 9,675 in the corresponding period of 2011 following the Company's efforts to rebuild its cost structure.

- Administrative expenses in Q2 2012 decreased by 13.34% to U.S.\$ 5,531 from U.S.\$ 6,382 in the corresponding period of 2011.
- EBITDA in Q2 2012 amounted to U.S.\$ 2,751 compared to a negative value of U.S.\$ 632 in the corresponding period of 2011.
- Net profit attributable to owners of the parent for Q2 2012 amounted to U.S.\$ 310 compared to net loss of U.S.\$ 3,767 in the corresponding period of 2011.

**Following table presents revenues breakdown by regions in the three month period ended June 30<sup>th</sup>, 2012 and 2011 respectively (in U.S.\$ thousand):**

| Region  | Q2 2012        | Q2 2011        | Change %       |
|---|----------------|----------------|----------------|
| <b>Former Soviet Union</b>                          | 144,657        | 115,032        | +25.75%        |
| <b>Central and Eastern Europe and Baltic States</b> | 127,320        | 110,083        | +15.66%        |
| <b>Middle East and Africa</b>                       | 55,161         | 41,824         | +31.89%        |
| <b>Western Europe</b>                               | 25,225         | 23,574         | +7.01%         |
| <b>Other</b>  | 13,391         | 12,368         | +8.27%         |
| <b>Grand Total</b>                                  | <b>365,755</b> | <b>302,880</b> | <b>+20.76%</b> |

**The principal events of the six month period ended June 30<sup>th</sup>, 2012, were as follows:**

- Revenues in H1 2012 increased by 14.17% to U.S.\$ 744,938 from U.S.\$ 652,499 in the corresponding period of 2011.
- Gross profit before currency movements in H1 2012 increased by 9.23% to U.S.\$ 36,892 from U.S.\$ 33,775 in the corresponding period of 2011.
- Gross profit after currency movements in H1 2012 increased by 6.21% to U.S.\$ 36,212 from U.S.\$ 34,095 in the corresponding period of 2011.
- Gross profit margin before currency movements in H1 2012 was 4.95% compared to 5.18% in the corresponding period of 2011. Gross profit margin after currency movements was 4.86% compared to 5.23% in the corresponding period of 2011.
- Selling expenses in H1 2012 decreased by 5.49% to U.S.\$ 17,993 from U.S.\$ 19,037 in the corresponding period of 2011, due to the Company's efforts to rebuild cost structure.
- Administrative expenses in H1 2012 decreased by 9.63% to U.S.\$ 11,495 from U.S.\$ 12,721 in the corresponding period of 2011.
- EBITDA in H1 2012 amounted to U.S.\$ 8,036 compared to U.S.\$ 3,874 in the corresponding period of 2011.
- Net profit attributable to owners of the parent for H1 2012 amounted to U.S.\$ 2,552 compared to a net loss of U.S.\$ 2,984 in the corresponding period of 2011.

Following table presents revenues breakdown by regions in the six month periods ended June 30<sup>th</sup>, 2012 and 2011 respectively (in U.S.\$ thousand):

| Region  | H1 2012        | H1 2011        | Change %       |
|---|----------------|----------------|----------------|
| <b>Former Soviet Union</b>                          | 300,026        | 260,159        | +15.32%        |
| <b>Central and Eastern Europe and Baltic States</b> | 249,773        | 222,991        | +12.01%        |
| <b>Middle East and Africa</b>                       | 115,370        | 93,625         | +23.23%        |
| <b>Western Europe</b>                               | 55,968         | 53,163         | +5.28%         |
| <b>Other</b>  | 23,802         | 22,563         | +5.49%         |
| <b>Grand Total</b>                                  | <b>744,938</b> | <b>652,499</b> | <b>+14.17%</b> |

### 3. Summary historical financial data

The following data sets out our summary historical consolidated financial information for the periods presented. You should read the information in conjunction with the interim condensed consolidated financial statements and results of operations contained elsewhere in this interim report.

For your convenience, certain U.S. \$ amounts as of and for the six months ended 30 June 2012 and 2011, have been converted into Euro and PLN as follows:

- Individual items of the balance sheet (statement of financial position) – based at average exchange rates quoted by the National Bank of Poland for a given balance sheet date December 31<sup>st</sup>, 2011, that is: 1 US\$ = 3.4174 PLN and 1 EUR = 4.4168 PLN and June 30<sup>th</sup>, 2012, that is: 1 US\$ = 3.3885 PLN and 1 EUR = 4.2613 PLN
- Individual items in the income statement and cash flow statement (statement of cash flows) – based at exchange rates representing the arithmetic averages of the exchange rates quoted by the National Bank of Poland for the last day of each month in a given period 1 January to 30 June 2011, that is: 1 US\$ = 2.78875 PLN and 1 EUR = 3.9673 PLN and 1 January to 30 June 2012, that is: 1 US\$ = 3.2453 PLN and 1 EUR = 4.2246 PLN.
- Individual items in the income statement for separate Q2 2012 and Q2 2011 – based at exchange rates representing the arithmetic averages of the exchange rates quoted by the National Bank of Poland for the last day of each month in a given period 1 April to 30 June 2011, that is: 1 US\$ = 2.7162 PLN and 1 EUR = 3.96036667 PLN and 1 April to 30 June 2012, that is: 1 US\$ = 3.3589 PLN and 1 EUR = 4.2741 PLN.

|   | Period from<br>1 January to 30 June 2012 |                |               | Period from<br>1 January to 30 June 2011 |                |                |
|---|--|----------------|---------------|--|----------------|----------------|
|   | USD                                      | PLN            | EUR           | USD                                      | PLN            | EUR            |
|   | 744,938                                  | 2,417,549      | 572,255       | 652,499                                  | 1,819,656      | 458,664        |
| Revenue                                       |  |                |               |  |                |                |
| Cost of sales                                 | (708,047)                                | (2,297,824)    | (543,915)     | (618,724)                                | (1,725,465)    | (434,922)      |
| <b>Gross profit before currency movements</b> | <b>36,892</b>                            | <b>119,724</b> | <b>28,340</b> | <b>33,775</b>                            | <b>94,191</b>  | <b>23,742</b>  |
| Currency movements on gross profit            | (679)                                    | (2,205)        | (522)         | 320                                      | 892            | 225            |
| <b>Gross profit after currency movements</b>  | <b>36,212</b>                            | <b>117,519</b> | <b>27,818</b> | <b>34,095</b>                            | <b>95,083</b>  | <b>23,967</b>  |
| Selling expenses                              | (17,993)                                 | (58,392)       | (13,822)      | (19,037)                                 | (53,090)       | (13,382)       |
| Administrative expenses                       | (11,495)                                 | (37,305)       | (8,830)       | (12,721)                                 | (35,475)       | (8,942)        |
| <b>Profit from operations</b>                 | <b>6,725</b>                             | <b>21,823</b>  | <b>5,166</b>  | <b>2,337</b>                             | <b>6,518</b>   | <b>1,643</b>   |
| Financial expenses                            | (4,325)                                  | (14,034)       | (3,322)       | (5,228)                                  | (14,580)       | (3,675)        |
| Financial income                              | 517                                      | 1,677          | 397           | 81                                       | 225            | 57             |
| Other gains and losses                        | 342                                      | 1,111          | 263           | 153                                      | 425            | 107            |
| Share of loss from joint ventures             | (93)                                     | (302)          | (71)          | (161)                                    | (448)          | (113)          |
| <b>Profit/(loss) before taxation</b>          | <b>3,166</b>                             | <b>10,275</b>  | <b>2,432</b>  | <b>(2,819)</b>                           | <b>(7,860)</b> | <b>(1,981)</b> |
| Taxation                                      | (591)                                    | (1,917)        | (454)         | (308)                                    | (860)          | (217)          |
| <b>Profit/(loss) after taxation</b>           | <b>2,576</b>                             | <b>8,359</b>   | <b>1,979</b>  | <b>(3,127)</b>                           | <b>(8,720)</b> | <b>(2,198)</b> |

**Attributable to:**

|                             |              |              |              |                |                |                |
|-----------------------------|--------------|--------------|--------------|----------------|----------------|----------------|
| Non-controlling interest    | 24           | 77           | 18           | (143)          | (399)          | (101)          |
| <b>Owners of the parent</b> | <b>2,552</b> | <b>8,282</b> | <b>1,961</b> | <b>(2,984)</b> | <b>(8,321)</b> | <b>(2,097)</b> |

|   | USD<br>(cents)  | PLN<br>(grosz)   | EUR<br>(cents)  | USD<br>(cents)  | PLN<br>(grosz)   | EUR<br>(cents)  |
|---|-----------------|------------------|-----------------|-----------------|------------------|-----------------|
|   | USD             | PLN              | EUR             | USD             | PLN              | EUR             |
| Basic and diluted earnings per share from continuing operations | 4.60            | 14.92            | 3.53            | (5.38)          | (14.99)          | (3.78)          |
| Net cash outflows from operating activities                     | (56,575)        | (183,604)        | (43,461)        | (46,589)        | (129,924)        | (32,749)        |
| Net cash outflows from investing activities                     | (871)           | (2,827)          | (669)           | (2,962)         | (8,259)          | (2,082)         |
| Net cash inflows from financing activities                      | 7,806           | 25,333           | 5,997           | 2,801           | 7,812            | 1,969           |
| <b>Net decrease in cash and cash equivalents</b>                | <b>(49,640)</b> | <b>(161,098)</b> | <b>(38,133)</b> | <b>(46,749)</b> | <b>(130,372)</b> | <b>(32,862)</b> |
| <b>Cash at the beginning of the period</b>                      | <b>19,251</b>   | <b>62,476</b>    | <b>14,789</b>   | <b>21,370</b>   | <b>59,594</b>    | <b>15,021</b>   |
| <b>Cash at the end of the period</b>                            | <b>(30,389)</b> | <b>(98,622)</b>  | <b>(23,345)</b> | <b>(25,380)</b> | <b>(70,777)</b>  | <b>(17,840)</b> |

|                     | As at 30 June 2012 |                  |                | As at 31 December 2011 |                  |                |
|---------------------|--------------------|------------------|----------------|------------------------|------------------|----------------|
|                     | USD                | PLN              | EUR            | USD                    | PLN              | EUR            |
| Current assets      | 359,650            | 1,218,673        | 285,986        | 408,801                | 1,397,037        | 316,301        |
| Non-current assets  | 28,917             | 97,986           | 22,994         | 29,950                 | 102,351          | 23,173         |
| <b>Total assets</b> | <b>388,567</b>     | <b>1,316,659</b> | <b>308,981</b> | <b>438,751</b>         | <b>1,499,387</b> | <b>339,474</b> |
| Liabilities         | 293,361            | 994,052          | 233,274        | 342,980                | 1,172,099        | 265,373        |
| Equity              | 95,206             | 322,607          | 75,706         | 95,771                 | 327,288          | 74,101         |

|   | Period from<br>1 April to 30 June 2012 |                |                | Period from<br>1 April to 30 June 2011 |                 |                |
|---|--|----------------|----------------|--|-----------------|----------------|
|   | USD                                    | PLN            | EUR            | USD                                    | PLN             | EUR            |
|   | 365,755                                | 1,228,535      | 287,437        | 302,880                                | 822,683         | 207,729        |
| Revenue   |  |                |                |  |                 |                |
| Cost of sales   | (348,838)                              | (1,171,711)    | (274,142)      | (287,218)                              | (780,141)       | (196,987)      |
| <b>Gross profit before currency movements</b>                   | <b>16,917</b>                          | <b>56,824</b>  | <b>13,295</b>  | <b>15,662</b>                          | <b>42,542</b>   | <b>10,742</b>  |
| Currency movements on gross profit                              | (678)                                  | (2,276)        | (532)          | (1,020)                                | (2,770)         | (700)          |
| <b>Gross profit after currency movements</b>                    | <b>16,240</b>                          | <b>54,548</b>  | <b>12,763</b>  | <b>14,643</b>                          | <b>39,772</b>   | <b>10,043</b>  |
| Selling expenses  | (8,590)                                | (28,853)       | (6,751)        | (9,675)                                | (26,278)        | (6,635)        |
| Administrative expenses   | (5,531)                                | (18,578)       | (4,347)        | (6,382)                                | (17,335)        | (4,377)        |
| <b>Profit/(loss) from operations</b>                            | <b>2,119</b>                           | <b>7,118</b>   | <b>1,665</b>   | <b>(1,414)</b>                         | <b>(3,842)</b>  | <b>(970)</b>   |
| Financial expenses  | (2,257)                                | (7,580)        | (1,774)        | (2,527)                                | (6,865)         | (1,733)        |
| Financial income  | 601                                    | 2,017          | 472            | 57                                     | 155             | 39             |
| Other gains and losses  | 177                                    | 595            | 139            | 83                                     | 226             | 57             |
| Share of loss from joint ventures                               | (50)                                   | (168)          | (39)           | (89)                                   | (241)           | (61)           |
| <b>Profit/(loss) before taxation</b>                            | <b>590</b>                             | <b>1,981</b>   | <b>464</b>     | <b>(3,890)</b>                         | <b>(10,567)</b> | <b>(2,668)</b> |
| Taxation  | (271)                                  | (911)          | (213)          | (65)                                   | (177)           | (45)           |
| <b>Profit/(loss) after taxation</b>                             | <b>319</b>                             | <b>1,071</b>   | <b>251</b>     | <b>(3,955)</b>                         | <b>(10,743)</b> | <b>(2,713)</b> |
| Attributable to:  |  |                |                |  |                 |                |
| Non-controlling interests                                       | 9                                      | 29             | 7              | (189)                                  | (513)           | (130)          |
| <b>Owners of the parent</b>                                     | <b>310</b>                             | <b>1,042</b>   | <b>244</b>     | <b>(3,767)</b>                         | <b>(10,231)</b> | <b>(2,583)</b> |
|   | USD<br>(cents)                         | PLN<br>(grosz) | EUR<br>(cents) | USD<br>(cents)                         | PLN<br>(grosz)  | EUR<br>(cents) |
| Basic and diluted earnings per share from continuing operations | 0.56                                   | 1.88           | 0.44           | (6.79)                                 | (18.43)         | (4.66)         |

#### 4. Organization of ASBIS Group

The following table presents our corporate structure as at 30 June 2012:

| Company  | Consolidation Method   |
|--|------------------------|
| <b>ASBISC Enterprises PLC</b>  | <b>Mother company</b>  |
| Asbis Ukraine Limited (Kiev, Ukraine )                                     | Full (100% subsidiary) |
| Asbis PL Sp.z.o.o (Warsaw, Poland)   | Full (100% subsidiary) |
| AS Asbis Baltic (Tallinn, Estonia)   | Full (100% subsidiary) |
| Asbis Romania S.R.L (Bucharest, Romania)                                   | Full (100% subsidiary) |
| Asbis Cr d.o.o (Zagreb, Croatia)   | Full (100% subsidiary) |
| Asbis d.o.o Beograd (Belgrade, Serbia)                                     | Full (100% subsidiary) |
| Asbis Hungary Commercial Limited (Budapest, Hungary)                       | Full (100% subsidiary) |
| Asbis Bulgaria Limited (Sofia, Bulgaria)                                   | Full (100% subsidiary) |
| Asbis CZ,spol.s.r.o (Prague, Czech Republic)                               | Full (100% subsidiary) |
| UAB Asbis Vilnius (Vilnius, Lithuania)                                     | Full (100% subsidiary) |
| Asbis Slovenia d.o.o (Trzin, Slovenia)                                     | Full (100% subsidiary) |
| Asbis Middle East FZE (Dubai, U.A.E)                                       | Full (100% subsidiary) |
| Asbis SK sp.l sr.o (Bratislava, Slovakia)                                  | Full (100% subsidiary) |
| Asbis Europe B.V (Schiphol, Netherlands)                                   | Full (100% subsidiary) |
| Asbis Limited (Charlestown, Ireland)                                       | Full (100% subsidiary) |
| FPUE Automatic Systems of Business Control (Minsk, Belarus)                | Full (100% subsidiary) |
| E.M. Euro-Mall Ltd (former ISA Hardware Limited–Group) (Limassol, Cyprus)  | Full (100% subsidiary) |
| OOO 'Asbis'-Moscow (Moscow, Russia)  | Full (100% subsidiary) |
| Asbis Morocco Limited (Casablanca, Morocco)                                | Full (100% subsidiary) |
| EUROMALL CZ s.r.o. (formerly ISA Hardware s.r.o.) (Prague, Czech Republic) | Full (100% subsidiary) |

|   |                        |
|---|------------------------|
| EUROMALL d.o.o. (formerly ISA Hardware d.o.o.) (Zagreb, Croatia)                          | Full (100% subsidiary) |
| ISA Hardware Hungary Commercial Limited Liability Co (Budapest, Hungary)                  | Full (100% subsidiary) |
| S.C. EUROMALL 2008 S.R.L (formerly ISA Hardware International S.R.L) (Bucharest, Romania) | Full (100% subsidiary) |
| ISA Hardware s.r.o Slovakia (Bratislava, Slovakia)  | Full (100% subsidiary) |
| Euro-Mall SRB d.o.o. (former ISA Hardware d.o.o Beograd) (Belgrade, Serbia)               | Full (100% subsidiary) |
| E.M.Euro-Mall D.o.o. (former ISA Hardware s.r.o Slovenia) (Ljubljana, Slovenia)           | Full (100% subsidiary) |
| Prestigio Plaza Sp. z o.o (Warsaw, Poland)  | Full (100% subsidiary) |
| Prestigio Plaza Ltd (formerly Prestigio Technologies) (Limassol, Cyprus)                  | Full (100% subsidiary) |
| Prestigio Europe s.r.o (Prague, Czech Republic)   | Full (100% subsidiary) |
| ASBIS NL.B.V. (Amsterdam, Netherlands)  | Full (100% subsidiary) |
| Asbis Kypros Ltd (Limassol, Cyprus)   | Full (100% subsidiary) |
| Asbis TR Bilgisayar Limited Sirketi (Istanbul, Turkey)                                    | Full (100% subsidiary) |
| SIA "ASBIS LV" (Riga, Latvia)   | Full (100% subsidiary) |
| Megatrend d.o.o. (Sarajevo, Bosnia Herzegovina)   | Full (90% ownership)   |
| PTUE IT-MAX (Minsk, Belarus)  | Full (100% subsidiary) |
| ASBIS Close Joint-Stock Company (former CZAO ASBIS) (Minsk, Belarus)                      | Full (100% subsidiary) |
| ASBIS IT S.R.L." (Rome, Italy)  | Full (100% subsidiary) |
| ASBIS Kazakhstan LLP (Almaty, Kazakhstan)   | Full (100% subsidiary) |
| Euro-Mall SRO (Bratislava, Slovakia)  | Full (100% subsidiary) |
| ASBIS Taiwan (Taipei City, Taiwan)  | Full (100% subsidiary) |
| AOSBIS TECHNOLOGY (SHENZHEN) CORP. (Shenzhen, China)                                      | 48% ownership          |
| ASBIS DE GMBH, (Munchen, Germany)   | Full (100% subsidiary) |
| EUROMALL BULGARIA EOOD (Sofia, Bulgaria)  | Full (100% subsidiary) |
| Advanced Systems Company LLC (Riyadh, Kingdom of Saudi Arabia)                            | Full (100% subsidiary) |

## 5. Changes in the structure of the Company

During the six months ended June 30<sup>th</sup>, 2012 there were the following changes in the structure of the Company and the Group:

1. The Company purchased the remaining 9 shares at ASBIS Close Joint-Stock Company (formerly CZAO ASBIS) both directly and through FPUE Automatic Systems of Business Control (Minsk, Belarus). As a result the Company has:
  - a. directly: 29 shares of a nominal value of USD 1000 each, that are equal to 96.67% in share capital of ASBIS Close Joint-Stock Company (formerly CZAO ASBIS) and is entitled to 29 votes (96.67% of all votes) at AGM of this company,
  - b. indirectly (through FPUE Automatic Systems of Business Control (Minsk, Belarus)): 1 share of a nominal value of USD 1000, that is equal to 3.33% of the share capital of ASBIS Close Joint-Stock Company (formerly CZAO ASBIS) and is entitled to 1 vote (3.33% of all votes) at AGM of this company.

Consequently, the Company has full control over ASBIS Close Joint-Stock Company (formerly CZAO ASBIS).

2. The Company completed the process of selling of ASBIS KOREA (Seoul, Korea), that was originally started in Q4 2011, as this company has not been delivering profit to the Group.
3. Additionally in Q2 2012 the Company has continued the process of purchasing the controlling interest in AOSBIS TECHNOLOGY (SHENZHEN) CORP. (Shenzhen, China), in order to concentrate and optimize its trading activities in the Asian markets. This process was however not fully completed in H1 2012, and is expected to be finalized in Q3 2012.

## 6. Discussion of the difference of the Company's results and published forecasts

We have not published any forecasts for the three month period ended June 30<sup>th</sup> 2012. However on March 22<sup>nd</sup>, 2012 we published the official forecasts for the year 2012. According to this forecast, the revenues are expected to reach between U.S. \$ 1.55 billion and U.S. \$ 1.65 billion, and net profit after tax is expected to reach between U.S. \$ 7.5 million and U.S. \$ 9.5 million in 2012. Having seen the results of H1 2012, the Company fully sustains this forecast.

## 7. Information on dividend payment

In the period of six months ended 30 June 2012 a dividend has been paid. This followed a resolution of the Company's AGM on May 24<sup>th</sup>, 2012. The dividend payout was U.S. \$ 0.04 per share, in line with the recommendation of the Board of Directors. The dividend record date was June 10<sup>th</sup>, 2012 and the dividend payout date was June 17<sup>th</sup>, 2012.

## 8. Shareholders possessing more than 5% of the Company's shares as of the date of the publication of the interim report

The following table presents shareholders possessing more than 5% of the Company's shares as of the date of publication of this report, according to our best knowledge. The information included in the table is based on the information received from the shareholders pursuant to Art. 69, sec. 1, point 2 of the Act on Public Offering, conditions governing the introduction of financial instruments to organized trading and public companies.

| Name  | Number of shares  | % of share capital | Number of votes   | % of votes     |
|---|-------------------|--------------------|-------------------|----------------|
| KS Holdings Ltd   | 25,676,361        | 46.26%             | 25,676,361        | 46.26%         |
| Quercus Towarzystwo Funduszy Inwestycyjnych S.A. Quercus Parasolowy SFIO and Quercus Absolutnego Zwrotu FIZ)*                                       | 3,274,931         | 5.90%              | 3,274,931         | 5.90%          |
| Alpha Ventures S.A.   | 3,200,000         | 5.76%              | 3,200,000         | 5.76%          |
| Aviva Investors Poland S.A. funds (Aviva Investors Fundusz Inwestycyjny Otwarty and Aviva Investors Specjalistyczny Fundusz Inwestycyjny Otwarty)** | 2,919,414         | 5.26%              | 2,919,414         | 5.26%          |
| ING OFE   | 2,872,954         | 5.18%              | 2,872,954         | 5.18%          |
| ASBISc Enterprises PLC (buy-back program)   | 143,434           | 0.2584%            | 143,434           | 0.2584%        |
| Free float  | 17,412,906        | 31.38%             | 17,412,906        | 31.38%         |
| <b>Total</b>  | <b>55,500,000</b> | <b>100.00%</b>     | <b>55,500,000</b> | <b>100.00%</b> |

\* Including 2,775,045 shares corresponding to 5.00% votes at the AGM held by Quercus Parasolowy SFIO - according to notification dated December 9th, 2011.

\*\* According to notification dated August 18th, 2010.

In the six month period ended on June 30<sup>th</sup>, 2012 the Company received the following information about changes in the shareholders structure:

(1) On June 6<sup>th</sup>, 2012 the Company received from ING Powszechnie Towarzystwo Emerytalne S.A. notification that ING Otwarty Fundusz Emerytalny („the Fund“) exceeded the threshold of 5% of total number of votes at the Company's General Meeting of Shareholders. This exceeding occurred as a result of purchase of the Company's shares settled on June 1st, 2012.

Before acquiring the shares the Fund had 2 473 465 Company's shares that were equal to 4,46% in the Company's share capital and thus had right to 2 473 465 votes at the Company's General Meeting of Shareholders, that was equal to 4,46% of total number of votes.

According to the notification, at June 6th, 2012 the Fund's brokerage account contains 2 872 954 Company's shares that are equal to 5,18% in the Company's share capital. These shares give right to 2 872 954 votes at the Company's General Meeting of Shareholders, that is equal to 5,18% of total number of votes.

(2) On January 19<sup>th</sup>, 2012 the Company received from Aviva Investors Poland SA acting on behalf of Aviva Investors Fundusz Inwestycyjny Otwarty ("the Fund"), as an entity, which Aviva Investors Poland

Towarzystwo Funduszy Inwestycyjnych S. A. has commissioned to manage the investment portfolios of its investment funds, which body it is, an indication that as a result of sales of shares made on the 13<sup>th</sup> January 2012 (settled on the 13<sup>th</sup> January 2012), the level of commitment of the Fund in the total number of votes at the general meeting of the Company decreased.

Consequent to the above event, the Fund disclosed that it held 2 543 976 shares of the Company, representing 4.58% of share capital of the Company, entitling to 2 543 976 votes, which represent 4.58% of total votes at the general meeting of the Company.

Prior to the above change the Fund had 2 843 976 shares of the Company, representing 5.12% of the share capital of the Company and entitling it to 2 843 976 votes, which represented 5.12% of total votes at the general meeting of the Company.

## **9. Changes in the number of shares owned by the members of the Board of Directors**

The table below presents the number of shares held by the members of the Board of Directors as of the date of this report. During the six month period ended on 30 June 2012 as well as in the period between May 8<sup>th</sup>, 2012 (the date of the publication of the first quarter results) and August 9<sup>th</sup>, 2012 (date of this report) there were no changes in the number of shares possessed by the members of the Board of Directors.

The information included in the table below is based on information received from members of our Management Board pursuant to Art. 160 sec. 1 of the Act on Public Trading.

| <b>Name</b>                                  | <b>Number of Shares</b> | <b>% of the share capital</b> |
|--|-------------------------|-------------------------------|
| Siarhei Kostevitch (directly and indirectly) | 25,718,127              | 46.34%                        |
| Laurent Journoud                             | 400,000                 | 0.72%                         |
| Marios Christou                              | 350,000                 | 0.63%                         |
| Constantinos Tziamalis                       | 35,000                  | 0.06%                         |
| Efstathios Papadakis                         | 0                       | 0%                            |
| Kyriacos Christofi                           | 0                       | 0%                            |
| Chris Pavlou                                 | 0                       | 0%                            |

Siarhei Kostevitch holds shares as the ultimate beneficial owner of KS Holdings Ltd.

## **10. Changes in the members of managing bodies**

Apart from the fact that the Company's Annual General Meeting of Shareholders held on May 24<sup>th</sup>, 2012 re-elected Mr. Efstathios Papadakis and Mr. Kyriacos Christofi to the Board of Directors, during the six months period ended June 30<sup>th</sup>, 2012 there were the following changes in the members of the Company's Board of Directors:

- (1) On June 18 2012 Mr. Kyriacos Christofi, non-executive Director of the Company has resigned from his position. His resignation was approved by the Company's Board of Directors. The reason of Mr. Kyriacos Christofi's resignation was for personal reasons and for other business contingencies that made it tough to continue to serve the Company.
- (2) On June 18th, 2012 with immediate effect Mr. Chris Pavlou has been appointed as a Non-Executive Director on the Company's Board of Directors.

## **11. Administrative and court proceedings against the Company**

As of 30 June 2012, no court, arbitration or administrative proceedings whose single or aggregate value exceeds 10% of our equity were pending against us or any of the members of our Group.

## **12. Related party transactions**

During the six months ended June 30<sup>th</sup>, 2012 we have not had any material related party transaction exceeding the Polish Zloty equivalent of Euro 500 thousand other than typical or routine transactions.

### **13. Information on guarantees granted to third parties**

Neither us, nor any of our affiliates or subsidiary companies have granted any guarantees or secured any third party credits for an amount exceeding 10% of its equity within the six months ended June 30<sup>th</sup>, 2012. The total bank guarantees raised by the Group (mainly to Group suppliers) as at June 30<sup>th</sup>, 2012 was U.S. \$ 10,162 – as per note number 21 to the financial statements – which is more than 10% of the Company's equity.

### **14. Information on changes in conditional commitments or conditional assets, occurred since the end of last fiscal year**

There were no changes in conditional commitments or conditional assets, occurred since the end of last fiscal year.

### **15. Other information important for the assessment of our personnel, economic and financial position, as well as our financial results**

In the six month period ended June 30<sup>th</sup>, 2012 the Company's results of operations have been affected and are expected to continue to be affected by a number of factors, including the effects of currency fluctuations, competition and price pressures, low gross profit margins, potential inventory obsolescence and price erosion, the worldwide unstable financial environment, credit risk and seasonality.

Despite the high volatility of our trading currencies against USD and volatility of EUR/USD pair in the reported period, the Company's hedging actions have shielded it for another quarter in a row from any material currency losses. This confirms the effectiveness of the foreign exchange hedging strategy adopted by the Company; it is the Company's intention to further enhance this policy going forward.

Both Q2 2012 and H1 2012 were periods of improvement for the Company. This improvement included significant growth in revenues and gross profit, decrease in selling and admin expenses and financial expenses, good hedging resulting in low currency losses and - as a result – a significant increase of EBITDA and profits at all levels, compared to the corresponding periods of 2011.

The Company's management strongly believes that if the overall economic situation will not change dramatically, further improvement of results will be visible in the following quarters of 2012.

Below we present all factors that have affected and continue to affect our business:

#### ***Currency fluctuations***

As mentioned in previous reports, the Company's reporting currency is the U.S. dollar. About 50% of the Company's revenues are denominated in U.S. dollars, while the balance is denominated in Euro and other currencies, some of which are linked to the Euro. Since most of the Company's trade payable balances are denominated in U.S. dollars (about 80%), the Company is exposed to foreign exchange risk that remains a crucial risk factor that might affect the Group's results in the future. Although the problem persists and will persist as the Euro and other Eastern European currencies fluctuate in a steep manner against the U.S. Dollar, the Group's reporting currency - the Group has adopted hedging strategies to tackle this problem and become successful. This was visible also in H1 2012, when despite fluctuations in the currency environment (see below chart), the Company was again able to limit the FX influence on its results. Despite high volatility in the currencies, the Company lost on currencies only about U.S.\$ 77 in Q2 2012 and U.S.\$ 162 in H1 2012 as the currency movements on gross profit were offset by financial income.

## EUR/USD in H1 2012



### **Competition and price pressure**

The IT distribution industry is a highly competitive market, particularly with regards to products selection and quality, inventory, price, customer services and credit availability and hence is open to margin pressure from competitors and new entrants. The Company competes at the international level with a wide variety of distributors of varying sizes, covering different product categories and geographic markets. In particular, in each of the markets in which the Company operates it faces competition from:

- a) international distributors such as Avnet Inc., Tech Data Corp., Ingram Micro Inc. and Arrow Electronics Inc., which are much larger than the Company, but do not always cover the same geographic regions with local presence as the Company does,
- b) regional or local distributors, such as Elko, mainly in the Baltic States, Russia, Ukraine, Kvazar Micro and Merlion in the Former Soviet Union, AB, ABC Data and Action in Poland and ATC and ED System-BGS Levi in the Czech Republic and Slovakia.

Competition and price pressures from market competitors and new market entrants may lead to significant reductions in the Company's sales prices. Such pressures may also lead to loss of market share in certain of the Group's markets. Price pressures can have a material adverse effect on the Company's profit margins and its overall profitability, especially in view of the fact that its gross profit margins, like those of most of its competitors, are low and sensitive to sales price fluctuations.

### **Low gross profit margins**

The Company's gross profit margins, like those of other distributors of IT products, are low and the Company expects them to remain low in the foreseeable future. Increased competition arising from industry consolidation and low demand for certain IT products may hinder the Company's ability to maintain or improve its gross margins. A portion of the Company's operating expenses is relatively fixed, and planned expenditures are based in part on anticipated orders that are forecasted with limited visibility of future demand. As a result, the Company may not be able to reduce its operating expenses as a percentage of revenue in order to mitigate any reductions in gross margins in the future. In order to tackle this problem, the Company continues its strategy of product portfolio diversification by adding more A-branded goods, laptops, software and more own brands sales to traditional IT components business, in order to reach better margins in the future.

### **Inventory obsolescence and price erosion**

The Company is often required to buy components and finished products according to forecasted requirements and orders of its customers and in anticipation of market demand. The market for IT finished products and components is characterized by rapid changes in technology and short product shelf life, and, consequently, inventory may rapidly become obsolete. Due to the fast pace of technological changes, the industry may sometimes face a shortage or, at other times, an oversupply of IT products. As the Company increases the scope of its business and, in particular, of inventory

management for its customers, there is an increasing need to hold inventory to serve as a buffer in anticipation of the actual needs of the Company's customers. This increases the risk of inventory becoming devalued or obsolete and could affect the Company's profits either because prices for obsolete products tend to decline quickly, or as a result of the need to make provisions for write-offs. In an oversupply situation, other distributors may resort to price reductions to dispose of their existing inventories, forcing the Company to lower its prices to stay competitive. The Company's ability to manage its inventory and protect its business against price erosion is critical to its success.

A number of the Company's most significant contracts with its major suppliers contain advantageous contract terms that protect the Company against exposure to price fluctuations, defective products and stock obsolescence.

#### **Credit risk**

The Company buys components and finished products from its suppliers on its own account and resells them to its customers. The Company extends credit to some of its customers at terms ranging from 21 to 60 days or, in a few cases, to 90 days. The Company's payment obligations towards its suppliers under such agreements are separate and distinct from its customers' obligations to pay for their purchases, except in limited cases in which the Company's arrangements with its suppliers require the Company to resell to certain resellers or distributors. Thus, the Company is liable to pay its suppliers regardless of whether its customers pay for their respective purchases. As the Company's profit margin is relatively low compared to the total price of the products sold, in the event the Company is unable to recover payments from its customers, it is exposed to a financial liquidity risk. The Company has in place credit insurance which covers such an eventuality for approximately 50 percent of its revenue.

Due to the recent market developments following the credit crisis that affected all countries the Group operates in, credit risk has become one of the most important factors that might affect the Group's results in the future. Despite the fact that the Group has managed to credit insure a large portion of its receivables, credit insurance companies are nowadays more risk averse and they are not easily granting credit limits to customers. As a result the Group is exposed to more credit risk and the ability of the Group to analyse and assess its credit risk is of extremely high importance.

#### **Worldwide financial environment**

The world's financial crisis has eased throughout 2010 and 2011. This included recovery signals from some of our markets (especially in the Former Soviet Union countries), and stabilization in some of others. Following some recovery the Company undertook efforts to benefit from these signals both in revenues and profitability. The revised strategy and adaptation to the new environment, i.e. by rebuilding product portfolio, paid off in terms of increased market share and sales.

However, there are many uncertainties about the world economy and especially the Euro-zone - followed by volatility of currencies and fragility of demand in many markets. Although the Company was able to secure itself from these factors in H1 2012 (i.e. there were no major currency losses) similarly to several previous periods, it is of extreme importance to follow this strategy in future periods and focus more on growing profitability rather than just on growing revenues.

#### **Seasonality**

Traditionally the IT distribution industry in which the Company operates experiences high demand during the months prior to and leading up to the Christmas and New Year holiday period. In particular, IT distributors' demand tends to increase in the period starting from September to the end of the year.

After temporary changes in the traditional seasonality, observed in 2008 and 2009, the trend returned in 2010 and was also clearly visible in H1 2012. If there will be no dramatical changes in the overall economic surrounding, traditional seasonality effect is expected to be seen also in the second half of 2012, which would mean growth in sales and profits in last couple of months of the year. However, due to a lot of uncertainties about economic situation in Europe, the Company decided to focus more on profitability than on revenues itself, as was the case of several last quarters.

## **Results of Operations**

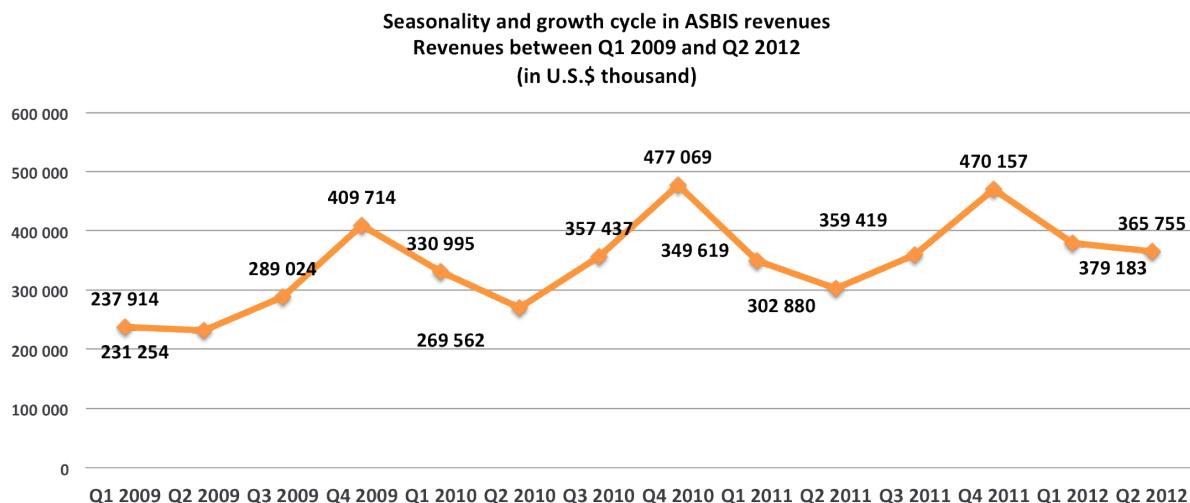
**Three and six month periods ended 30 June 2012 compared to the three and six month periods ended 30 June 2011**

### **Revenues:**

Revenues in Q2 2012 increased by 20.76% to U.S.\$ 365,755 from U.S.\$ 302,880 in the corresponding period of 2011.

Revenues in H1 2012 increased by 14.17% to U.S.\$ 744,938 from U.S.\$ 652,499 in the corresponding period of 2011.

This was possible mostly because of stronger position of the Company in its markets, gained at a cost of weakening competition from smaller distributors, and also because of upgraded product portfolio. It is expected that sales levels will continue to grow in the second part of the year.



- **Gross profit:** Gross profit grew significantly both in Q2 2012 and in H2 2011. It is also important to underline that due to better hedging policies, this growth was observed both before and after currency movements.

### Before currency movements:

Gross profit before currency movements in Q2 2012 increased by 8.01% to U.S.\$ 16,917 from U.S.\$ 15,662 in the corresponding period of 2011.

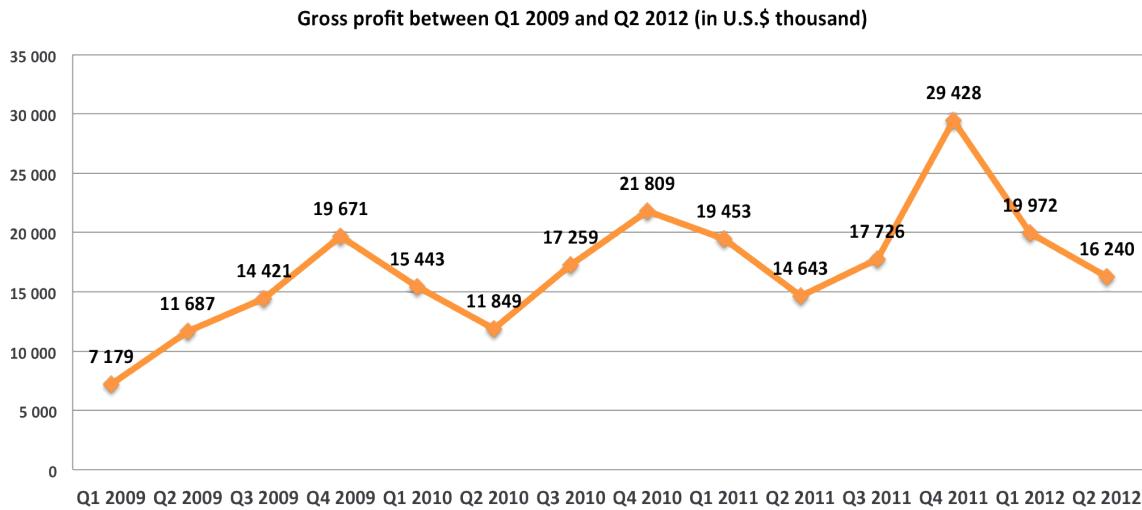
Gross profit before currency movements in H1 2012 increased by 9.23% to U.S.\$ 36,892 from U.S.\$ 33,775 in the corresponding period of 2011.

### After currency movements:

Gross profit after currency movements in Q2 2012 increased by 10.91% to U.S.\$ 16,240 from U.S.\$ 14,643 in the corresponding period of 2011.

Gross profit after currency movements in H1 2012 increased by 6.21% to U.S.\$ 36,212 from U.S.\$ 34,095 in the corresponding period of 2011.

Due to effectiveness of the Company's operations in all of its countries, continuation of growth in gross profit is expected for the second part of the year, assuming the overall economic environment will not change dramatically.



- **Gross profit margin:** Although the Company was able to generate more revenues, margins decreased in Q2 2012 and H1 2012. This was mostly due to specific issues faced with a number of components and laptop suppliers. It is expected that gross profit margins will grow again in the second part of the year.

Gross profit margin before currency movements in Q2 2012 was 4.63% compared to 5.17% in the corresponding period of 2011. Gross profit margin after currency movements was 4.44% compared to 4.83% in the corresponding period of 2011.

Gross profit margin before currency movements in H1 2012 was 4.95% compared to 5.18% in the corresponding period of 2011. Gross profit margin after currency movements was 4.86% compared to 5.23% in the corresponding period of 2011.

- **Selling expenses** largely comprise of salaries and benefits paid to sales employees (sales, marketing and logistics departments), marketing and advertising fees, commissions, and traveling expenses. Selling expenses usually grow together (but not in-line) with growing sales, however both in Q2 2012 and H1 2012 the Company was able to decrease it while revenues grew. This was possible due to changes in cost structure that tied selling expenses more to gross profit than on revenues. As a result:

Selling expenses in Q2 2012 decreased by 11.21% to U.S.\$ 8,590 from U.S.\$ 9,675 in the corresponding period of 2011.

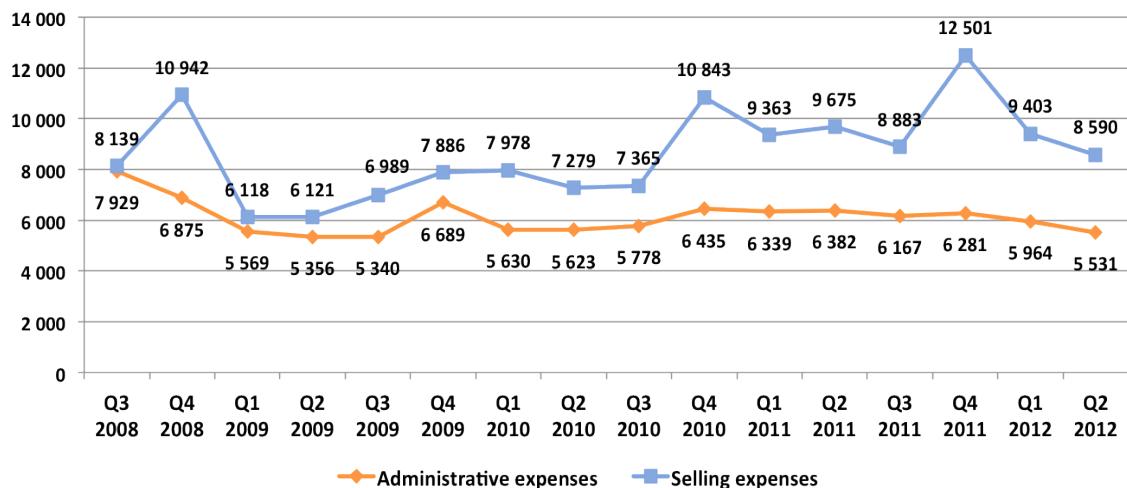
Selling expenses in H1 2012 decreased by 5.49% to U.S.\$ 17,993 from U.S.\$ 19,037 in the corresponding period of 2011.

- **Administrative expenses** largely comprise of salaries and wages and rent expense.

Administrative expenses in Q2 2012 decreased by 13.34% to U.S.\$ 5,531 from U.S.\$ 6,382 in the corresponding period of 2011.

Administrative expenses in H1 2012 decreased by 9.63% to U.S.\$ 11,495 from U.S.\$ 12,721 in the corresponding period of 2011.

**Administrative and selling expenses  
between Q3 2008 and Q2 2012 (in U.S.\$ thousand)**



- **Operating profit:** In Q2 2012 the Company had an operating profit of U.S. \$ 2,119 compared to operating loss of U.S. \$ 1,414 in the corresponding period of 2011. For H1 2012 the Company has generated an operating profit that amounted to U.S. \$ 6,725 compared to operating profit of U.S. \$ 2,337 in the corresponding period of 2011. This clearly shows a constant upgrade in the Company's operations and efficiencies that allow the Company's management to be optimistic about future results.
- **EBITDA:** In Q2 2012 EBITDA amounted to U.S.\$ 2,751 compared to a negative value of U.S.\$ 632 in the corresponding period of 2011. EBITDA in H1 2012 amounted to U.S.\$ 8,036 compared to U.S.\$ 3,874 in the corresponding period of 2011.
- **Net profit:** Net profit attributable to owners of the parent for Q2 2012 amounted to U.S.\$ 310 compared to a net loss of U.S.\$ 3,767 in the corresponding period of 2011. For H1 2012, net profit attributable to owners of the parent amounted to U.S.\$ 2,552 compared to a net loss of U.S.\$ 2,984 in the corresponding period of 2011.

### Sales by regions and countries

Traditionally and throughout the Company's operation, the region contributing the majority of revenues has been the Former Soviet Union. This was also the case in Q2 and H1 2011 when revenues derived from F.S.U. countries grew by 25.75% and 15.32% respectively, compared to the corresponding periods of 2011. What is more important, this growth was observed also in all other regions of our operations. Revenues in CEE grew by +15.66% and +12.01% in Q2 2012 and H1 2012 respectively, and in the same periods revenues in the Middle East and Africa grew by 31.89% and +23.23%. In addition the Company was able to increase revenues derived in Western Europe by 8.27% in Q2 2012 and by 5.49% in H1 2012.

Country-by-country analysis confirms that the Company's biggest single market – Russia – with +21.98% growth in Q2 2012 and +15.97% growth in H1 2012 has driven the Company's sales together with Ukraine (+16.95% and +9.66% respectively for the same periods) and United Arab Emirates (+112.22% and +89.80% respectively). In the same time, revenues in Slovakia were stable (+0.36% growth in Q2 2012 and +2.38% in H1 2012) but we observed strong increase in revenues in some other countries like Czech Republic (+11.61% and +7.31%), Kazakhstan (+15.93% and +29.74%) and Bulgaria (+43.96% and +40.22%) that supported our growth. It is also worth to notice that after some turbulences in 2011, sales in Belarus grew again and therefore this country re-entered the list of our top 10 countries. The abovementioned growth allowed the Company to increase its total revenues by +20.76% in Q2 2012 and 14.17% in H1 2012.

The table below provides a geographical breakdown of sales in the six month periods ended 30 June 2012 and 2011.

|                                   | H1 2012          |                     | H1 2011          |                     |
|-----------------------------------|------------------|---------------------|------------------|---------------------|
|                                   | U.S. \$ thousand | % of total revenues | U.S. \$ thousand | % of total revenues |
| <b>Former Soviet Union</b>        | 300,026          | 40.28%              | 260,159          | 39.87%              |
| <b>Central and Eastern Europe</b> | 249,773          | 33.53%              | 222,991          | 34.18%              |
| <b>Middle East and Africa</b>     | 115,370          | 15.49%              | 93,625           | 14.35%              |
| <b>Western Europe</b>             | 55,968           | 7.51%               | 53,163           | 8.15%               |
| <b>Other</b>                      | 23,802           | 3.20%               | 22,563           | 3.46%               |
| <b>Total</b>                      | 744,938          | 100%                | 652,499          | 100%                |

**Revenue breakdown – Top 10 countries in Q2 2012 and Q2 2011 (in U.S. Dollar thousand)**

|     | Q2 2012                     |                | Q2 2011                     |                |
|-----|-----------------------------|----------------|-----------------------------|----------------|
|     | Country                     | Sales          | Country                     | Sales          |
| 1.  | <b>Russia</b>               | 84,502         | <b>Russia</b>               | 69,276         |
| 2.  | <b>Slovakia</b>             | 38,768         | <b>Slovakia</b>             | 38,629         |
| 3.  | <b>Ukraine</b>              | 31,901         | <b>Ukraine</b>              | 27,278         |
| 4.  | <b>United Arab Emirates</b> | 31,871         | <b>Czech Republic</b>       | 17,726         |
| 5.  | <b>Czech Republic</b>       | 19,783         | <b>United Arab Emirates</b> | 15,018         |
| 6.  | <b>Kazakhstan</b>           | 15,571         | <b>Kazakhstan</b>           | 13,432         |
| 7.  | <b>Bulgaria</b>             | 10,114         | <b>Saudi Arabia</b>         | 11,538         |
| 8.  | <b>Belarus</b>              | 9,916          | <b>Hungary</b>              | 8,081          |
| 9.  | <b>The Netherlands</b>      | 9,667          | <b>Romania</b>              | 7,748          |
| 10. | <b>Lithuania</b>            | 9,496          | <b>Bulgaria</b>             | 7,025          |
| 11. | <b>Other</b>                | 104,167        | <b>Other</b>                | 87,130         |
|     | <b>TOTAL</b>                | <b>365,755</b> | <b>TOTAL</b>                | <b>302,880</b> |

**Revenue breakdown – Top 10 countries in H1 2012 and H1 2011 (in U.S. Dollar thousand)**

|    | H1 2012                     |         | H1 2011                     |         |
|----|-----------------------------|---------|-----------------------------|---------|
|    | Country                     | Sales   | Country                     | Sales   |
| 1. | <b>Russia</b>               | 175,859 | <b>Russia</b>               | 151,640 |
| 2. | <b>Slovakia</b>             | 72,159  | <b>Slovakia</b>             | 70,483  |
| 3. | <b>Ukraine</b>              | 69,009  | <b>Ukraine</b>              | 62,929  |
| 4. | <b>United Arab Emirates</b> | 65,537  | <b>Czech Republic</b>       | 36,908  |
| 5. | <b>Czech Republic</b>       | 39,606  | <b>United Arab Emirates</b> | 34,531  |
| 6. | <b>Kazakhstan</b>           | 31,093  | <b>Saudi Arabia</b>         | 25,620  |
| 7. | <b>Bulgaria</b>             | 20,791  | <b>Kazakhstan</b>           | 23,966  |
| 8. | <b>The Netherlands</b>      | 19,689  | <b>Belarus</b>              | 17,583  |
| 9. | <b>Lithuania</b>            | 18,366  | <b>Romania</b>              | 16,602  |

|     |              |                |              |                |
|-----|--------------|----------------|--------------|----------------|
| 10. | Belarus      | 17,955         | Bulgaria     | 14,828         |
| 11. | Other        | 214,874        | Other        | 197,410        |
|     | <b>TOTAL</b> | <b>744,938</b> | <b>TOTAL</b> | <b>652,499</b> |

### Sales by product lines

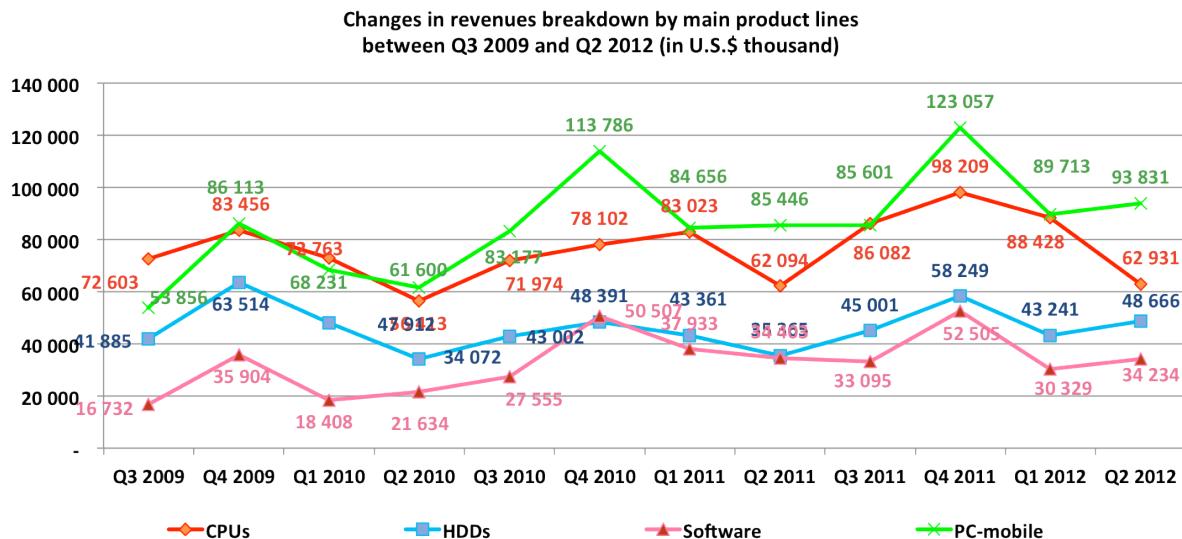
Despite the fact that Q2 is traditionally the weakest quarter in a year, the Group was able to generate solid growth of revenues. This was possible mostly due to increase in revenues from sale of HDDs and laptops, while revenues derived from sale of CPUs and software were stable. As a result, revenues from CPUs, HDDs and laptops grew in H1 2012, while revenues from software decreased (as in Q1 2012 they were lower than in Q1 2011). Decrease in the software segment was however offset by growth of some other product lines and by own brands (see below) and this allowed for a +14.17% growth in total revenues in H1 2012.

The table below sets a breakdown of revenues, by product, for H1 2012 and 2011 (U.S.\$ thousand):

|                                 | H1 2012          |                     | H1 2011          |                     |
|---------------------------------|------------------|---------------------|------------------|---------------------|
|                                 | U.S. \$ thousand | % of total revenues | U.S. \$ thousand | % of total revenues |
| Central processing units (CPUs) | 151,359          | 20.32%              | 145,118          | 22.24%              |
| Hard disk drives (HDDs)         | 91,906           | 12.34%              | 78,725           | 12.07%              |
| Software                        | 64,564           | 8.67%               | 72,336           | 11.09%              |
| PC-mobile (laptops)             | 183,544          | 24.64%              | 170,101          | 26.07%              |
| Other                           | 253,565          | 34.04%              | 186,219          | 28.54%              |
| <b>Total revenue</b>            | <b>744,938</b>   | <b>100%</b>         | <b>652,499</b>   | <b>100%</b>         |

In the six month period ended June 30<sup>th</sup>, 2012:

- Revenue from sale of central processing units ("CPUs") increased by 4.30% to U.S. \$ 151,359 from U.S. \$ 145,118 in the corresponding period of 2011. This was possible due to higher average selling price.
- Revenue from sale of hard disk drives ("HDDs") increased by 16.74% to U.S. \$ 91,906 from U.S. \$ 78,725 in the corresponding period of 2011. This was mostly due to higher average selling price.
- Revenue from sale of PC-mobile ("laptops") increased by 7.90% to U.S. \$ 183,544 from U.S. \$ 170,101 in the corresponding period of 2011. This was possible mostly due to significant growth in unit sales that was only partially offset by lower average selling price.
- Revenue from sale of software decreased by 10.74% to U.S. \$ 64,564 from U.S. \$ 72,336 in the corresponding period of 2011. This decrease of revenue from sales of software was connected with lower average selling price and stronger competition.
- Apart from its main product categories, the Group is developing segments with high margins, like display products (+79.62%), accessories and multimedia (+30.77%), servers and blocks (+278.48%) and flash and SSD memory (+1514.67%) that grew significantly in H1 2012 compared to the corresponding period of 2011.



The Company is also developing its own brands, Canyon and Prestigio, as traditionally it allows the Company to reach double-digit gross margins. Own brands contribution in total sales revenue was 6.75% in Q2 2012 and 6.34% in H1 2012%. It is the Company's intention to further develop own brands sales so that in the medium term their contribution in total sales revenue will reach 10%. This should be possible because of undertaken efforts to rebuild the own brands product portfolio in the direction of lighter technology. However, as total sales grow fast, the Company focuses more on the profitability delivered by own brands, which is significantly higher than in other product lines.

The Group is also focusing on improving its margins and decreasing reliance on the traditional components segment by broadening its product portfolio and signing more distribution agreements with mostly finished-goods vendors. In H1 2012 the Company signed a number of new contracts to complete its product portfolio in different countries, including:

- Agreement with Fujitsu for notebooks in Adriatics
- Agreement with Evault – Seagate's company specialized in backup solutions
- Agreement with Netgear for Ukraine and Russia
- Agreement with Ferrari by Logic3 for distribution of Ferrari by Logic3 audio collection in 29 countries of EMEA
- Agreement with GLOBO PLC as a major distributor for its enterprise mobility solutions in 39 countries of EMEA region
- Agreement with McAfee for delivery of McAfee consumer solutions to retailers across Russia
- Agreement with ACER (through ASBIS Middle East) for the market of the Kingdom of Saudi Arabia

The Company is also pushing for development of smartphones segment by signing agreements for different countries. This is due to market expectations that smartphones segment will grow significantly in the next couple of years.

Development of product portfolio shall be further continued, as it is one of the best solutions to gain market share and improve results in particular countries.

### Liquidity and Capital Resources

The Company has in the past funded its liquidity requirements, including ongoing operating expenses and capital expenditures and investments, for the most part, through operating cash flows, debt financing and equity financing.

The following table presents a summary of cash flows for the six months ended June 30<sup>th</sup>, 2012 and 2011:

|   | Six months ended June 30 <sup>th</sup> |          |
|---|--|----------|
|   | 2012                                   | 2011     |
|   | U.S. \$                                |          |
| Net cash outflows from operating activities | (56,575)                               | (46,589) |
| Net cash outflows from investing activities | (871)                                  | (2,962)  |
| Net cash inflows from financing activities  | 7,806                                  | 2,801    |
| Net decrease in cash and cash equivalents   | (49,640)                               | (46,749) |

#### ***Net cash outflows from operations***

Net cash outflows from operations amounted to U.S. \$ 56,575 for the six months ended June 30<sup>th</sup> 2012, compared to U.S. \$ 46,589 in the corresponding period of 2011. This is primarily due to worsening of working capital in Q2 2012 due to seasonality as well as increased revenues.

#### ***Net cash outflows from investing activities***

Net cash outflows from investing activities was U.S. \$ 871 for the six months ended June 30<sup>th</sup> 2012, compared to U.S. \$ 2,962 in the corresponding period of 2011. This was mostly due to lower expenditure for real-estate purchases and refurbishment.

#### ***Net cash inflows from financing activities***

Net cash inflows from financing activities was U.S. \$ 7,806 for the six months ended June 30<sup>th</sup> 2012, compared to U.S. \$ 2,801 for the corresponding period of 2011. This increase was primarily due to lower cost of financing and more available bank lines in certain countries.

#### ***Net decrease in cash and cash equivalents***

As a result of the Company's efforts to serve growing demand and increased sales, cash and cash equivalents has decreased by U.S. \$ 49,640, compared to a decrease of U.S. \$ 46,749 in the corresponding period of 2011.

### **16. Factors which may affect our results in the future**

#### **Political and economic stability in Europe and our regions**

Uncertainty in the Euro-zone and the debt-crisis observed recently in Europe affects banks and consumers' purchasing power and demand in the markets. Therefore, it is of extreme importance for the Company to adapt its strategy to the recent economic and political developments and react fast to the external environment (products, vendors and customer relations) and, same time, work internally on issues such as currency hedging, operational effectiveness, etc. Having in mind the lesson learnt during crisis, the management strongly believes that the Company is much better prepared to weather any changes that may arise following political and economic swings in Europe and worldwide.

#### **The Group's ability to increase revenues and market share while focusing on profits**

The very well diversified geographic coverage of the Group's revenues ensures that the Company mitigates the risk of lower sales in a particular country with the possibility of higher sales in a number of other countries. However, still Russia (as a country) and F.S.U. (as a region) are the biggest contributors of the Company's revenues. Therefore, it is very important to adapt to any market changes that might arise. This means both a constant upgrade of product portfolio and close relations with customers to weather any unforeseen issues that may appear in the future.

Particular markets experience problems from time to time, resulting in a temporary decrease of revenues, as was the case of Belarus in 2011. Although as of this point in time, the management does not foresee any other country with such problems in 2012, in such an unlikely situation the growth in revenues in the future may be limited.

#### **The Group's ability to increase gross profit margins:**

In Q2 2012 the gross profit margins achieved by the Company decreased due to overall situation in the world's economy that resulted in lighter demand and decreased margins from customers. Some changes in margins on A-branded goods like laptops also had a significant role. However these are perceived as temporary, and is expected to perish together with stabilization of Euro-zone and traditional seasonality in the second part of the year. Therefore it is of extreme importance for the Company to work on its product portfolio and market position to increase gross profit margins and allow to generate solid profits from growing revenues.

#### **Currency volatilities:**

The multi-currency environment that the Group operates in exposes its financial results to steep currency fluctuations. Currency movements during Q2 2012 were weathered by the hedging policy of the Group, which has proven successful and should be followed without exception (even despite the fact that this hedging policy limits not only risk of currency losses, but also possibility of currency gains when local currencies moves favourably against U.S. Dollar).

Q2 2012 was the fourth consecutive quarter when the currency volatility was high but the Company has not suffered any major currency losses. The overall impact of currencies of Q2 2012 results was only about U.S.\$ 77 loss (as the currency movements on gross profit were offset by hedging). This confirms the management opinion that the Company's hedging policy works well. Having in mind the recent political and economic developments in Euro-zone connected with debt-crisis, it is very important to adapt to any market changes as they appear, and therefore to avoid negative scenarios.

It is also important to underline, that with such turbulent environment there is no perfect hedging strategy that could completely eliminate the foreign exchange risk. Therefore going forward, the Group will continue to be exposed to currency volatilities despite precautionary measures taken. It is our belief that should the currency environment stabilize, the results of the Group will be further improved.

#### **Ability of the Group to control expenses:**

The worldwide crisis has led the Group to take severe cost cutting actions during 2009. Following the increased demand and improved business environment, the Group decided to invest into human capital and proceeded with hiring personnel at positions which are considered critical in order to ensure better service of the markets and customers, which has driven expenses in Q1-Q3 2011. As these investments have not paid off to the expected level of profit, reduction of expenses continued in 2011. It is important to underline that while the administrative expenses are under strict control, also selling expenses structure was rebuilt to only grow at a slower pace than the growth of gross profit. The effect of these actions was clearly visible in Q2 2012 and H1 2012 when both selling expenses and admin expenses decreased significantly, while revenues and profits grew. The Company will continue its strict expenses policy in order to push profitability forward.

#### **Ability to further develop its product portfolio:**

Because of its size, geographical coverage and good relationships with vendors, the Company has managed to build an extensive product portfolio, which has played a significant role in our increased revenues during the twelve months of 2011. This was continued in H1 2012 when the Company has signed a number of new contracts replenishing its product portfolio in several countries. It is very crucial for the Company to continue refining its product mix constantly by adding new product lines with higher gross (and net) profit margins which will boost its profitability.

**17. Information about important events that occurred after the period ended on June 30<sup>th</sup>, 2012 and before this report release**

According to our best knowledge, in the period between June 30<sup>th</sup>, 2012 and August 9<sup>th</sup>, 2012 no events have occurred that could affect the Company's operations or its financial stability.

## Part II Financial Information

The financial information of ASBISc Enterprises Plc presented as a part of this report is as follows:

### **Report and Interim Condensed Consolidated Financial Statements for the period ended 30 June 2012**

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**ASBISC ENTERPRISES PLC**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED**

**30 JUNE 2012**

# ASBISC ENTERPRISES PLC

## INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

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## **BOARD OF DIRECTORS REPRESENTATIONS**

In accordance with the requirements of the Ordinance of the Minister of Finance dated February 19<sup>th</sup>, 2009 on current and periodical information published by issuers of securities and on the conditions of recognition of information required by the laws of non-EU Member States as equal, the Board of Directors of ASBISC ENTERPRISES PLC hereby represents that:

- to its best knowledge, the semi-annual condensed consolidated financial statements and the comparative data have been prepared in accordance with the applicable accounting policies and that they give a true, fair and clear reflection of the group's financial position and its financial result, and that the semi-annual Director's Report from operations gives a true view of the group's development, achievements, and position, including description of basic risks and threats;
- the registered audit company which reviewed the semi-annual condensed consolidated financial statements was appointed in accordance with the legal regulations and the said company and the registered auditors who performed the review fulfilled the conditions for issuing an unbiased and independent review report, in accordance with the principles of compulsory regulations and professional standards.

Limassol, August 8<sup>th</sup>, 2012

## **AUDITORS' REVIEW REPORT**

### **TO THE BOARD OF DIRECTORS OF ASBISC ENTERPRISES PLC**

#### *Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of Asbisc Enterprises PLC and its subsidiaries (the "Group") on pages 3 to 21 which comprise the interim consolidated statement of financial position of the Group as at 30 June 2012 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows of the Group for the period from 1 January 2012 to 30 June 2012 and a summary of significant accounting policies and other explanatory notes (the "Interim Condensed Consolidated Financial Statements"). Management is responsible for the preparation and fair presentation of these Interim Condensed Consolidated Financial Statements in accordance with the International Accounting Standard 34, *"Interim Financial Reporting"* ("IAS 34"). Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

#### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements do not give a true and fair view of the financial position of the Group as at 30 June 2012 and of its financial performance and its cash flows for the six month period then ended in accordance with International Accounting Standard 34, *"Interim Financial Reporting"* ("IAS 34").

*Sylvia A. Loizides*

Chartered Accountant and Registered Auditor  
for and on behalf of  
KPMG Limited  
Chartered Accountants and Registered Auditors

Limassol, 8 August 2012

**INTERIM CONSOLIDATED INCOME STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2012**

|   | Notes | For the six months ended<br>30 June 2012<br>US\$ | For the six months ended<br>30 June 2011<br>US\$ |
|---|-------|--|--|
| <b>Revenue</b>                                | 5, 25 | 744,938,382                                      | 652,498,824                                      |
| Cost of sales                                 |       | (708,046,750)                                    | (618,723,513)                                    |
| <b>Gross profit before currency movements</b> |       | 36,891,632                                       | 33,775,311                                       |
| Currency movements on gross profit            | 6     | (679,442)  | 319,769  |
| <b>Gross profit after currency movements</b>  |       | 36,212,190                                       | 34,095,080                                       |
| Selling expenses                              |       | (17,992,696)                                     | (19,037,323)                                     |
| Administrative expenses                       |       | (11,494,993)                                     | (12,720,609)                                     |
| <b>Profit from operations</b>                 |       | 6,724,501  | 2,337,148  |
| Financial expenses                            | 8     | (4,324,525)                                      | (5,228,085)                                      |
| Financial income                              | 8     | 516,833  | 80,665   |
| Other gains and losses                        | 7     | 342,317  | 152,464  |
| Share of loss from joint ventures             | 30    | (92,947)   | (160,768)  |
| <b>Profit/(loss) before taxation</b>          | 9     | 3,166,179  | (2,818,576)                                      |
| Taxation                                      | 10    | (590,551)  | (308,210)  |
| <b>Profit/(loss) after taxation</b>           |       | 2,575,628  | (3,126,786)                                      |
| <br><b>Attributable to:</b>                   |       |  |  |
| Non-controlling interest                      |       | 23,565   | (143,022)  |
| Owners of the parent                          |       | 2,552,063  | (2,983,764)                                      |
|   |       | 2,575,628  | (3,126,786)                                      |
| <br><b>Earnings per share</b>                 |       |  |  |
| Basic and diluted from continuing operations  |       | 4,60   | (5,38)   |
|   |       | US\$ cents                                       | US\$ cents                                       |

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2012**

|   | <b>For the six<br/>months ended<br/>30 June 2012</b> | <b>For the six<br/>months ended<br/>30 June 2011</b> |
|---|--|--|
|   | US\$   | US\$   |
| <b>Profit/(loss) after taxation</b>                           | 2,575,628  | (3,126,786)  |
| <b>Other comprehensive (loss)/income:</b>                     |  |  |
| Exchange difference on translating foreign operations         | (534,441)  | 1,546,593  |
| <b>Other comprehensive (loss)/income for the period</b>       | <u>(534,441)</u>                                     | <u>1,546,593</u>                                     |
| <b>Total comprehensive income/(loss) for the period</b>       | <u>2,041,187</u>                                     | <u>(1,580,193)</u>                                   |
| <br><b>Total comprehensive income/(loss) attributable to:</b> |  |  |
| Non-controlling interests                                     | 20,181   | (132,795)  |
| Owners of the parent  | <u>2,021,006</u>                                     | <u>(1,447,398)</u>                                   |
|   | <u>2,041,187</u>                                     | <u>(1,580,193)</u>                                   |

# ASBISC ENTERPRISES PLC

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

| ASSETS   | Notes | Unaudited as at      | Audited as at            |
|--|-------|----------------------|--------------------------|
|  |       | 30 June 2012<br>US\$ | 31 December 2011<br>US\$ |
| <b>Non-current assets</b>                        |       |                      |                          |
| Goodwill   | 29    | 550.517              | 550.517                  |
| Property, plant and equipment                    | 16    | 25.652.608           | 26.624.374               |
| Investment in joint ventures                     | 30    | 294.678              | 387.625                  |
| Available-for-sale financial assets              | 18    | 9.580                | 9.580                    |
| Intangible assets                                | 17    | 1.515.016            | 1.507.203                |
| Deferred tax assets                              | 11    | 894.795              | 870.510                  |
| <b>Total non-current assets</b>                  |       | <u>28.917.194</u>    | <u>29.949.809</u>        |
| <b>Current assets</b>                            |       |                      |                          |
| Inventories                                      | 12    | 115.168.932          | 111.640.208              |
| Trade receivables                                | 13    | 219.955.756          | 237.990.821              |
| Other current assets                             | 14    | 14.906.033           | 9.315.104                |
| Derivative financial asset                       | 15    | 359.034              | 559.106                  |
| Current taxation                                 | 10    | 512.500              | 427.765                  |
| Cash at bank and in hand                         | 26    | 8.747.491            | 48.868.023               |
| <b>Total current assets</b>                      |       | <u>359.649.746</u>   | <u>408.801.027</u>       |
| <b>Total assets</b>                              |       | <u>388.566.940</u>   | <u>438.750.836</u>       |
| <b>EQUITY AND LIABILITIES</b>                    |       |                      |                          |
| <b>Equity</b>                                    |       |                      |                          |
| Share capital                                    | 24    | 11.100.000           | 11.100.000               |
| Share premium                                    |       | 23.518.243           | 23.518.243               |
| Retained earnings and other components of equity |       | <u>60.466.770</u>    | <u>60.758.056</u>        |
| Equity attributable to owners of the parent      |       | <u>95.085.013</u>    | <u>95.376.299</u>        |
| Non-controlling interests                        |       | <u>121.395</u>       | <u>394.835</u>           |
| <b>Total equity</b>                              |       | <u>95.206.408</u>    | <u>95.771.134</u>        |
| <b>Liabilities</b>                               |       |                      |                          |
| <b>Non-current liabilities</b>                   |       |                      |                          |
| Long term liabilities                            | 22    | 3.989.832            | 4.354.620                |
| Long term obligations under finance leases       | 23    | 85.472               | 93.056                   |
| <b>Total non-current liabilities</b>             |       | <u>4.075.304</u>     | <u>4.447.676</u>         |
| <b>Current liabilities</b>                       |       |                      |                          |
| Trade payables                                   |       | 183.441.312          | 244.663.923              |
| Other current liabilities                        | 19    | 39.206.175           | 47.248.478               |
| Derivative financial liability                   | 20    | 24.611               | 1.215                    |
| Current taxation                                 | 10    | 107.672              | 89.476                   |
| Short term obligations under finance leases      | 23    | 86.721               | 171.339                  |
| Bank overdrafts and short term loans             | 21    | 66.418.737           | 46.357.595               |
| <b>Total current liabilities</b>                 |       | <u>289.285.228</u>   | <u>338.532.026</u>       |
| <b>Total liabilities</b>                         |       | <u>293.360.532</u>   | <u>342.979.702</u>       |
| <b>Total equity and liabilities</b>              |       | <u>388.566.940</u>   | <u>438.750.836</u>       |

The financial statements were approved by the Board on 8 August 2012.

Siarhei Kostevitch  
Director

Marios Christou  
Director

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 JUNE 2012**

|  | Attributable to owners of the parent |                    |                     |                        |  |             |                                |                   |
|--|--------------------------------------|--------------------|---------------------|------------------------|--|-------------|--------------------------------|-------------------|
|  | Share capital US\$                   | Share premium US\$ | Treasury stock US\$ | Retained earnings US\$ | Translation of foreign operations US\$ | Total US\$  | Non-controlling interests US\$ | Total equity US\$ |
| <b>Balance at 1 January 2011</b>   | 11.100.000                           | 23.518.243         | -                   | 57.224.454             | (507.320)                              | 91.335.377  | 431.509                        | 91.766.886        |
| Loss for the period 1 January 2011 to 30 June 2011                       | -                                    | -                  | -                   | (2.983.764)            | -                                      | (2.983.764) | (143.022)                      | (3.126.786)       |
| Other comprehensive income for the period 1 January 2011 to 30 June 2011 | -                                    | -                  | -                   | -                      | 1.536.366                              | 1.536.366   | 10.227                         | 1.546.593         |
| Dividend payment to non-controlling interests                            | -                                    | -                  | -                   | -                      | -                                      | -           | (169.621)                      | (169.621)         |
| <b>Balance at 30 June 2011</b>   | 11.100.000                           | 23.518.243         | -                   | 54.240.690             | 1.029.046                              | 89.887.979  | 129.093                        | 90.017.072        |
| Profit for the period 1 July 2011 to 31 December 2011                    | -                                    | -                  | -                   | 8.401.306              | -                                      | 8.401.306   | 385.700                        | 8.787.006         |
| Other comprehensive loss for the period 1 July 2011 to 31 December 2011  | -                                    | -                  | -                   | -                      | (2.909.129)                            | (2.909.129) | (13.060)                       | (2.922.189)       |
| Dividend payment to non-controlling interests                            | -                                    | -                  | -                   | -                      | -                                      | -           | (106.898)                      | (106.898)         |
| Buyback of shares  | -                                    | -                  | (3.857)             | -                      | -                                      | (3.857)     | -                              | (3.857)           |
| <b>Balance at 31 December 2011</b>                                       | 11.100.000                           | 23.518.243         | (3.857)             | 62.641.996             | (1.880.083)                            | 95.376.299  | 394.835                        | 95.771.134        |
| Profit for the period 1 January 2012 to 30 June 2012                     | -                                    | -                  | -                   | 2.552.063              | -                                      | 2.552.063   | 23.565                         | 2.575.628         |
| Other comprehensive loss for the period 1 January 2012 to 30 June 2012   | -                                    | -                  | -                   | -                      | (531.057)                              | (531.057)   | (3.384)                        | (534.441)         |
| Payment of final dividend  | -                                    | -                  | -                   | (2.214.643)            | -                                      | (2.214.643) | -                              | (2.214.643)       |
| Acquisition of shares from non-controlling interests (note 31)           | -                                    | -                  | -                   | (6.379)                | -                                      | (6.379)     | (293.621)                      | (300.000)         |
| Buyback of shares  | -                                    | -                  | (91.270)            | -                      | -                                      | (91.270)    | -                              | (91.270)          |
| <b>Balance at 30 June 2012</b>   | 11.100.000                           | 23.518.243         | (95.127)            | 62.973.037             | (2.411.140)                            | 95.085.013  | 121.395                        | 95.206.408        |

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2012**

|  | Notes | For the six months ended 30 June 2012<br>US\$ | For the six months ended 30 June 2011<br>US\$ |
|--|-------|---|---|
| Profit/(loss) for the period before tax and minority interest                      |       | 3.166.179                                     | (2.818.576)                                   |
| Adjustments for:   |       |   |   |
| Exchange difference arising on consolidation                                       |       | (163.267)                                     | 396.589                                       |
| Provision for bad debts and receivables written off                                |       | 939.812                                       | 615.454                                       |
| Bad debts recovered  |       | (36.608)                                      | (8.248)                                       |
| Depreciation of property, plant and equipment                                      | 16    | 1.115.303                                     | 1.223.791                                     |
| Amortisation of intangible assets  | 17    | 195.819                                       | 312.624                                       |
| Loss/(gains) arising on business combinations                                      |       | 475   | (4.364)                                       |
| Share of loss from joint ventures  | 30    | 92.947  | 160.768                                       |
| Interest received  |       | (134.167)                                     | (50.020)                                      |
| Interest paid  |       | 2.502.481                                     | 2.424.168                                     |
| Loss/(profit) from the sale of property, plant and equipment and intangible assets |       | 4.394   | (4.979)                                       |
| <b>Operating profit before working capital changes</b>                             |       | 7.683.368                                     | 2.247.207                                     |
| (Increase)/decrease in inventories   |       | (3.664.134)                                   | 1.274.840                                     |
| Decrease in trade receivables  |       | 17.117.389                                    | 62.665.327                                    |
| (Increase)/decrease in other current assets  |       | (5.451.287)                                   | 571.783                                       |
| Decrease in trade payables   |       | (61.192.901)                                  | (99.784.225)                                  |
| Decrease in other current liabilities  |       | (7.971.869)                                   | (10.036.437)                                  |
| Increase/(decrease) in other long-term liabilities                                 |       | 80.982  | (68.102)                                      |
| <b>Cash outflows from operations</b>   |       | (53.398.452)                                  | (43.129.607)                                  |
| Taxation paid, net   | 10    | (674.365)                                     | (1.034.821)                                   |
| Interest paid  |       | (2.502.481)                                   | (2.424.168)                                   |
| <b>Net cash outflows from operating activities</b>                                 |       | (56.575.298)                                  | (46.588.596)                                  |
| <b>Cash flows from investing activities</b>  |       |   |   |
| Interest received  |       | 134.167                                       | 50.020  |
| Purchase of property, plant and equipment  | 16    | (657.119)                                     | (2.850.585)                                   |
| Purchase of intangible assets  | 17    | (257.769)                                     | (418.278)                                     |
| Net payments on business combinations  |       | (285.524)                                     | -   |
| Net cash acquired on business combinations   |       | 112.803                                       | -   |
| Buyback of shares  |       | (91.270)                                      |   |
| Proceeds from sale of property, plant and equipment and intangible assets          |       | 173.568                                       | 257.276                                       |
| <b>Net cash outflows from investing activities</b>                                 |       | (871.144)                                     | (2.961.567)                                   |
| <b>Cash flows from financing activities</b>  |       |   |   |
| Dividends paid to non-controlling interests  |       | -   | (169.621)                                     |
| Payment of final dividend  |       | (2.214.643)                                   | -   |
| Repayments of long term loans and long term obligations under finance lease        |       | (453.351)                                     | (33.124)                                      |
| Proceeds of short term loans and short term obligations under finance lease        |       | 10.474.064                                    | 3.003.819                                     |
| <b>Net cash inflows from financing activities</b>                                  |       | 7.806.070                                     | 2.801.074                                     |
| <b>Net decrease in cash and cash equivalents</b>                                   |       | (49.640.372)                                  | (46.749.089)                                  |
| <b>Cash and cash equivalents at beginning of the period</b>                        |       | 19.251.306                                    | 21.369.517                                    |
| <b>Cash and cash equivalents at end of the period</b>                              | 26    | (30.389.066)                                  | (25.379.572)                                  |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**

**1. Incorporation and principal activities**

Asbisc Enterprises Plc was incorporated in Cyprus on 9 November 1995 with limited liability. The group's and the company's principal activity is the trading and distribution of computer hardware and software. The main shareholder of the company is K.S. Holdings Limited, a company incorporated in Cyprus.

Since 30<sup>th</sup> October 2007 the company is listed at the Warsaw Stock Exchange.

**2. Basis of preparation**

The interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting.

The interim condensed consolidated financial statements were approved by the Board of Directors on 8 August 2012.

The interim condensed consolidated financial statements do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the audited financial statements for the year ended 31 December 2011.

**3. Basis of consolidation**

The condensed consolidated financial statements consolidate the financial statements of the company and its subsidiaries, which are together referred to as the group.

**4. Significant accounting policies**

The condensed financial statements have been prepared under the historical cost convention except for derivative financial instruments which are measured at fair value.

The preparation of the interim condensed consolidated financial statements, according to IFRS's require the group's management to make judgments and estimates which have a material impact on the amounts presented in the financial statements.

These judgments and estimates are consistent with those followed for the preparation of the group's annual financial statements for the year 2011.

The interim condensed consolidated financial statements are presented in US\$.

The accounting policies adopted for the preparation of the interim condensed consolidated financial statements for the six months ended 30 June 2012 are consistent with those followed for the preparation of the annual financial statements for the year 2011 except for the adoption by the group of all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on 1 January 2012. The adoption of new and revised standards and interpretations did not have any material effect on the group's condensed consolidated financial statements.

**5. Effects of seasonality**

The group's revenue and consequently its profitability are significantly lower during the first half of the year. The seasonality is driven by increased household expenditure during the Christmas period as well as the commencement of the academic period during the second half of the year resulting in a positive effect on the demand for the group's products.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012

**6. Currency movements on gross profit**

|  | For the six<br>months ended<br>30 June 2012<br>US\$ | For the six<br>months ended<br>30 June 2011<br>US\$ |
|--|---|---|
| Realised currency movements on trading activities          | (110.243)   | 634.137   |
| Unrealised currency movements on trading activities        | (522.326)   | 771.266   |
| Realised gain/(loss) on executed forward contracts         | 220.120   | (1.190.537)   |
| Net unrealised (loss)/gain on unexecuted forward contracts | (266.993)   | 104.903   |
| (Loss)/gain on currency movements                          | <u>(679.442)</u>                                    | <u>319.769</u>                                      |

**7. Other gains and losses**

|  | For the six<br>months ended<br>30 June 2012<br>US\$ | For the six<br>months ended<br>30 June 2011<br>US\$ |
|--|---|---|
| Rental income  | 235.548   | 61.648  |
| (Loss)/gain on disposal of property, plant and equipment | (4.394)   | 4.979   |
| Bad debts recovered                                      | 36.608  | 8.248   |
| Other income   | <u>74.555</u>                                       | <u>77.589</u>                                       |
|  | <u>342.317</u>                                      | <u>152.464</u>                                      |

**8. Financial expense, net**

|                          | For the six<br>months ended<br>30 June 2012<br>US\$ | For the six<br>months ended<br>30 June 2011<br>US\$ |
|--------------------------|---|---|
| Interest income          | 134.167   | 50.020  |
| Other financial income   | 108.082   | 30.645  |
| Net exchange gain        | <u>274.584</u>                                      | -   |
|                          | <u>516.833</u>                                      | <u>80.665</u>                                       |
| Bank interest            | 2.502.481   | 2.424.168   |
| Bank charges             | 879.885   | 938.506   |
| Factoring interest       | 707.450   | 498.662   |
| Factoring charges        | 160.758   | 185.347   |
| Other financial expenses | 49.088  | 90.181  |
| Other interest           | 24.863  | 74.055  |
| Net exchange loss        | -   | 1.017.166   |
|                          | <u>4.324.525</u>                                    | <u>5.228.085</u>                                    |
| Net                      | <u>(3.807.692)</u>                                  | <u>(5.147.420)</u>                                  |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012

9. Profit/(loss) before taxation

|   | For the six<br>months ended<br>30 June 2012<br>US\$ | For the six<br>months ended<br>30 June 2011<br>US\$ |
|---|---|---|
| The profit/(loss) before taxation is stated after charging: |   |   |
| (a) Depreciation of property, plant and equipment           | 1,115,303   | 1,223,791   |
| (b) Amortisation of intangible assets                       | 195,819   | 312,624   |
| (c) Auditor's remuneration                                  | 223,865   | 290,432   |
| (d) Directors' remuneration – executive (note 27)           | 307,820   | 308,973   |
| (e) Directors' remuneration non-executive (note 27)         | 21,512  | 21,082  |

10. Taxation

|                                       | For the six<br>months ended<br>30 June<br>2012<br>US\$ | For the<br>year ended<br>31 December<br>2011<br>US\$ |
|---------------------------------------|--|--|
| (Debit)/credit balance 1 January      | (338,289)  | 490,649  |
| Tax asset on disposal of subsidiary   | -  | 41   |
| Provision for the period/year         | 682,825  | 1,147,023  |
| Over provision of prior year periods  | (62,703)   | (38,608)   |
| Exchange difference on retranslation  | (12,296)   | (66,652)   |
| Amounts paid, net                     | (674,365)  | (1,870,742)  |
| Net debit balance 30 June/31 December | <u>(404,828)</u>                                       | <u>(338,289)</u>                                     |

|                | For the six<br>months ended<br>30 June<br>2012<br>US\$ | For the<br>year ended<br>31 December<br>2011<br>US\$ |
|----------------|--|--|
| Tax receivable | (512,500)  | (427,765)  |
| Tax payable    | 107,672  | 89,476   |
| Net            | <u>(404,828)</u>                                       | <u>(338,289)</u>                                     |

The consolidated taxation charge for the period consists of the following:

|  | For the six<br>months ended<br>30 June 2012<br>US\$ | For the six<br>months ended<br>30 June 2011<br>US\$ |
|--|---|---|
| Provision for the period               | 682,825   | 221,296   |
| (Over)/under provision of prior years  | (62,703)  | 4,387   |
| Deferred tax (credit)/charge (note 11) | (29,571)  | 82,527  |
| Charge for the period                  | <u>590,551</u>                                      | <u>308,210</u>                                      |

The taxation charge of the group comprises corporation tax charge in Cyprus on the taxable profits of the company and those of its subsidiaries which are subject to tax in Cyprus and corporation tax in other jurisdictions on the results of the foreign subsidiary companies.

**ASBISC ENTERPRISES PLC**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**

|   | <b>For the six<br/>months ended<br/>30 June<br/>2012<br/>US\$</b> | <b>For the<br/>year ended<br/>31 December<br/>2011<br/>US\$</b> |
|---|---|---|
|   |   |   |
| Debit balance on 1 January  | (870.510)   | (991.821)   |
| Deferred tax (credit)/charge for the period (note 10)                           | (29.571)  | 98.000  |
| Exchange difference on retranslation  | 5.286   | 23.311  |
| Debit balance on 30 June/ 31 December   | <u>(894.795)</u>  | <u>(870.510)</u>  |
| <b>12. Inventories</b>  | <b>As at<br/>30 June<br/>2012<br/>US\$</b>                        | <b>As at<br/>31 December<br/>2011<br/>US\$</b>                  |
|   |   |   |
| Goods held for resale   | 104.531.602   | 97.085.963  |
| Goods in transit  | 13.027.627  | 16.433.482  |
| Provision for slow moving and obsolete stock                                    | <u>(2.390.297)</u>  | <u>(1.879.237)</u>  |
|   | <u>115.168.932</u>  | <u>111.640.208</u>  |
| <b>13. Trade receivables</b>  | <b>As at<br/>30 June<br/>2012<br/>US\$</b>                        | <b>As at<br/>31 December<br/>2011<br/>US\$</b>                  |
|   |   |   |
| Trade receivables   | 227.280.424   | 244.645.546   |
| Allowance for doubtful debts  | <u>(7.324.668)</u>  | <u>(6.654.725)</u>  |
|   | <u>219.955.756</u>  | <u>237.990.821</u>  |
| <b>14. Other current assets</b>   | <b>As at<br/>30 June<br/>2012<br/>US\$</b>                        | <b>As at<br/>31 December<br/>2011<br/>US\$</b>                  |
|   |   |   |
| Other debtors and prepayments   | 3.589.750   | 3.428.339   |
| VAT and other taxes refundable  | 10.215.755  | 4.828.442   |
| Employee floats   | 298.512   | 223.356   |
| Deposits and advances to service providers                                      | <u>802.016</u>  | <u>834.967</u>  |
|   | <u>14.906.033</u>   | <u>9.315.104</u>  |
| <b>15. Derivative financial asset</b>   | <b>As at<br/>30 June<br/>2012<br/>US\$</b>                        | <b>As at<br/>31 December<br/>2011<br/>US\$</b>                  |
|   |   |   |
| <u>Derivative financial assets carried at fair value through profit or loss</u> |   |   |
| Foreign currency forward contracts  | <u>359.034</u>  | <u>559.106</u>  |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012

16. Property, plant and equipment

|  | Land<br>and<br>buildings<br>US\$ | Assets<br>under<br>construction<br>US\$ | Warehouse<br>machinery<br>US\$ | Furniture<br>and<br>fittings<br>US\$ | Office<br>equipment<br>US\$ | Motor<br>vehicles<br>US\$ | Computer<br>hardware<br>US\$ | Total<br>US\$     |
|--|----------------------------------|---|--------------------------------|--------------------------------------|-----------------------------|---------------------------|------------------------------|-------------------|
| <b>Cost</b>                                  |                                  |   |                                |                                      |                             |                           |                              |                   |
| At 1 January 2011                            | 18,784,078                       | 3,402,910                               | 169,199                        | 2,067,071                            | 2,684,502                   | 3,511,657                 | 5,554,015                    | 36,173,432        |
| Additions                                    | 1,386,612                        | 709,493                                 | 3,792                          | 252,758                              | 203,921                     | 231,227                   | 612,501                      | 3,400,304         |
| Disposals                                    | -                                | -                                       | -                              | (65,558)                             | (197,050)                   | (428,094)                 | (394,254)                    | (1,084,956)       |
| Transfers                                    | 4,112,403                        | (4,112,403)                             | -                              | -                                    | -                           | -                         | -                            | -                 |
| Foreign exchange difference on retranslation | (466,212)                        | -                                       | 1,333                          | (42,047)                             | (64,033)                    | (94,373)                  | (146,967)                    | (812,299)         |
| At 31 December 2011                          | 23,816,881                       | -                                       | 174,324                        | 2,212,224                            | 2,627,340                   | 3,220,417                 | 5,625,295                    | 37,676,481        |
| Additions                                    | 25,738                           | -                                       | -                              | 25,175                               | 304,876                     | 69,676                    | 231,654                      | 657,119           |
| Disposals upon disposal of subsidiaries      | -                                | -                                       | -                              | (8,150)                              | -                           | (575)                     | (3,551)                      | (12,276)          |
| Disposals                                    | -                                | -                                       | (14,988)                       | (73,276)                             | (42,508)                    | (265,103)                 | (181,952)                    | (577,827)         |
| Foreign exchange difference on retranslation | (357,695)                        | -                                       | 576                            | (33,458)                             | (28,066)                    | (20,965)                  | (88,283)                     | (527,891)         |
| At 30 June 2012                              | <u>23,484,924</u>                | <u>-</u>                                | <u>159,912</u>                 | <u>2,122,515</u>                     | <u>2,861,642</u>            | <u>3,003,450</u>          | <u>5,583,163</u>             | <u>37,215,606</u> |
| <b>Accumulated depreciation</b>              |                                  |   |                                |                                      |                             |                           |                              |                   |
| At 1 January 2011                            | 1,762,694                        | -                                       | 24,794                         | 1,004,049                            | 1,352,034                   | 1,935,678                 | 3,810,578                    | 9,889,827         |
| Charge for the year                          | 565,426                          | -                                       | 19,285                         | 224,636                              | 261,882                     | 556,936                   | 873,636                      | 2,501,801         |
| Disposals                                    | -                                | -                                       | -                              | (39,884)                             | (138,447)                   | (351,120)                 | (393,748)                    | (923,199)         |
| Foreign exchange difference on retranslation | (83,641)                         | -                                       | 4,377                          | (41,569)                             | (60,430)                    | (92,182)                  | (142,877)                    | (416,322)         |
| At 31 December 2011                          | 2,244,479                        | -                                       | 48,456                         | 1,147,232                            | 1,415,039                   | 2,049,312                 | 4,147,589                    | 11,052,107        |
| Charge for the period                        | 281,099                          | -                                       | 9,460                          | 107,344                              | 116,900                     | 236,725                   | 363,775                      | 1,115,303         |
| Disposals upon disposal of subsidiaries      | -                                | -                                       | -                              | (1,087)                              | -                           | (96)                      | (853)                        | (2,036)           |
| Disposals                                    | -                                | -                                       | (9,420)                        | (62,753)                             | (15,713)                    | (183,459)                 | (177,984)                    | (449,329)         |
| Foreign exchange difference on retranslation | (26,364)                         | -                                       | 283                            | (17,820)                             | (20,524)                    | (20,533)                  | (68,089)                     | (153,047)         |
| At 30 June 2012                              | <u>2,499,214</u>                 | <u>-</u>                                | <u>48,779</u>                  | <u>1,172,916</u>                     | <u>1,495,702</u>            | <u>2,081,949</u>          | <u>4,264,438</u>             | <u>11,562,998</u> |
| <b>Net book value</b>                        |                                  |   |                                |                                      |                             |                           |                              |                   |
| At 30 June 2012                              | <u>20,985,710</u>                | <u>-</u>                                | <u>111,133</u>                 | <u>949,599</u>                       | <u>1,365,940</u>            | <u>921,501</u>            | <u>1,318,725</u>             | <u>25,652,608</u> |
| At 31 December 2011                          | <u>21,572,402</u>                | <u>-</u>                                | <u>125,868</u>                 | <u>1,064,992</u>                     | <u>1,212,301</u>            | <u>1,171,105</u>          | <u>1,477,706</u>             | <u>26,624,374</u> |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012**
**17. Intangible assets**

|  | Computer<br>software<br>US\$ | Patents and<br>licenses<br>US\$ | Total<br>US\$ |
|--|------------------------------|---------------------------------|---------------|
| <b>Cost</b>                                  |                              |                                 |               |
| <b>At 1 January 2011</b>                     | 6,511,605                    | 773,258                         | 7,284,863     |
| Additions                                    | 154,760                      | 363,746                         | 518,506       |
| Disposals/ write-offs                        | (307,169)                    | (84,796)                        | (391,965)     |
| Foreign exchange difference on retranslation | (52,259)                     | (18,374)                        | (70,633)      |
| <b>At 31 December 2011</b>                   | 6,306,937                    | 1,033,834                       | 7,340,771     |
| Additions                                    | 128,747                      | 129,022                         | 257,769       |
| Disposals upon disposal of subsidiaries      | (1,878)                      | -                               | (1,878)       |
| Disposals/ write-offs                        | (86,491)                     | (49,194)                        | (135,685)     |
| Foreign exchange difference on retranslation | (15,362)                     | (6,424)                         | (21,786)      |
| <b>At 30 June 2012</b>                       | 6,331,953                    | 1,107,238                       | 7,439,191     |
| <b>Accumulated amortization</b>              |                              |                                 |               |
| <b>At 1 January 2011</b>                     | 4,983,018                    | 629,693                         | 5,612,711     |
| Charge for the year                          | 456,938                      | 129,212                         | 586,150       |
| Disposals/ write-offs                        | (245,220)                    | (51,499)                        | (296,719)     |
| Foreign exchange difference on retranslation | (53,072)                     | (15,502)                        | (68,574)      |
| <b>At 31 December 2011</b>                   | 5,141,664                    | 691,904                         | 5,833,568     |
| Charge for the period                        | 111,668                      | 84,151                          | 195,819       |
| Disposals upon disposal of subsidiaries      | (544)                        | -                               | (544)         |
| Disposals/ write-offs                        | (85,914)                     | (309)                           | (86,223)      |
| Foreign exchange difference on retranslation | (12,944)                     | (5,501)                         | (18,445)      |
| <b>At 30 June 2012</b>                       | 5,153,930                    | 770,245                         | 5,924,175     |
| <b>Net book value</b>                        |                              |                                 |               |
| At 30 June 2012                              | 1,178,023                    | 336,993                         | 1,515,016     |
| At 31 December 2011                          | 1,165,273                    | 341,930                         | 1,507,203     |

**18. Available-for-sale financial assets**

|  | Country of<br>incorporation | Participation<br>% | Cost<br>US\$    | Impairment<br>US\$ | As at<br>30<br>June<br>2012<br>US\$ | As at<br>31<br>December<br>2011<br>US\$ |
|--|-----------------------------|--------------------|-----------------|--------------------|-------------------------------------|---|
| <i>Investments held in related companies</i> |                             |                    |                 |                    |                                     |   |
| E-Vision Ltd                                 | Cyprus                      | 18%                | 90,000          | (90,000)           | -                                   | -                                       |
| <i>Other investments</i>                     |                             |                    |                 |                    |                                     |   |
| Asekol s.r.o.                                | Czech<br>Republic           | 9,09%              | 9,580<br>99,580 | -<br>(90,000)      | 9,580<br>9,580                      | 9,580<br>9,580                          |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012

| 19. Other current liabilities                      | As at             | As at             |
|--|-------------------|-------------------|
|  | 30 June           | 31 December       |
|  | 2012              | 2011              |
| Factoring creditors (i)                            | 27.072.542        | 29.765.116        |
| Non-trade accounts payable                         | 2.319.203         | 3.233.257         |
| Salaries payable and related costs                 | 1.108.085         | 1.371.575         |
| VAT payable  | 2.460.219         | 4.880.799         |
| Amount due to directors – executive (note 27)      | 2.860             | 6.449             |
| Amounts due to directors – non-executive (note 27) | 11.507            | 10.043            |
| Accruals and deferred income                       | 6.231.759         | 7.981.239         |
|  | <u>39.206.175</u> | <u>47.248.478</u> |

(i) As at 30 June 2012 the group enjoyed factoring facilities of US\$ 58.273.396 (31 December 2011: US\$ 45.740.348). The factoring facilities are secured as mentioned in note 21.

| 20. Derivative financial liability   | As at         | As at        |
|--|---------------|--------------|
|  | 30 June       | 31 December  |
|  | 2012          | 2011         |
| <u>Derivative financial liabilities carried at fair value through profit or loss</u> |               |              |
| Foreign currency forward contracts   | <u>24.611</u> | <u>1.215</u> |

| 21. Bank overdrafts and short term loans | As at             | As at             |
|--|-------------------|-------------------|
|  | 30 June           | 31 December       |
|  | 2012              | 2011              |
| <u>US\$</u>                              |                   |                   |
| Bank overdrafts (note 26)                | 39.136.557        | 29.616.717        |
| Bank short term loans                    | 26.628.659        | 16.071.488        |
| Current portion of long term loans       | 653.521           | 669.390           |
|  | <u>66.418.737</u> | <u>46.357.595</u> |

**Summary of borrowings and overdraft arrangements**

The group as at 30 June 2012 had the following financing facilities with banks in the countries that the company and its subsidiaries are operating:

- overdraft lines of US\$ 49.225.454 (31 December 2011: US\$ 52.644.277)
- short term loans/revolving facilities of US\$ 32.616.074 (31 December 2011: US\$ 24.189.249)
- bank guarantees of US\$ 10.162.398 (31 December 2011: US\$ 8.704.773)

The group had for the period ending 30 June 2012 cash lines (overdrafts, loans and revolving facilities) and factoring lines.

The Weighted Average Cost of Debt (cash lines and factoring lines) for the period was 7,3% (period to 30 June 2011: 6,3%)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2012

**21. Bank overdrafts and short term loans (continued)**

**Summary of borrowings and overdraft arrangements (continued)**

The factoring, overdraft and revolving facilities as well as the loans granted to the company and its subsidiaries by their bankers are secured by:

- First, second and third floating charges over all assets of the company
- Mortgage on land and buildings that the group owns in Cyprus, Czech Republic, Belarus, Middle East, Bulgaria, Slovakia and Ukraine
- Charge over receivables and inventories
- Corporate guarantees to the extent of facilities granted
- Assignment of insurance policies
- Pledged deposits of US\$ 1.720.207 (31 December 2011: US\$ 1.859.022)

**22. Long term liabilities**

|                             | As at<br>30 June<br>2012<br>US\$ | As at<br>31 December<br>2011<br>US\$ |
|-----------------------------|----------------------------------|--------------------------------------|
| Bank loans                  | 3.617.479                        | 4.063.249                            |
| Other long term liabilities | 372.353                          | 291.371                              |
|                             | <u>3.989.832</u>                 | <u>4.354.620</u>                     |

The bank loans are secured as disclosed in note 21.

**23. Finance leases**

|  | As at<br>30 June<br>2012<br>US\$ | As at<br>31 December<br>2011<br>US\$ |
|--|----------------------------------|--------------------------------------|
| Obligation under finance lease             | 172.193                          | 264.395                              |
| Less: Amount payable within one year       | <u>(86.721)</u>                  | <u>(171.339)</u>                     |
| Amounts payable within 2-5 years inclusive | <u>85.472</u>                    | <u>93.056</u>                        |

**24. Share capital**

|   | As at<br>30 June<br>2012<br>US\$ | As at<br>31 December<br>2011<br>US\$ |
|---|----------------------------------|--------------------------------------|
| <b>Authorised</b>   |                                  |                                      |
| 63.000.000 (2011: 63.000.000) shares of US\$ 0,20 each          | <u>12.600.000</u>                | <u>12.600.000</u>                    |
| <b>Issued, called-up and fully paid</b>                         |                                  |                                      |
| 55.500.000 (2011: 55.500.000) ordinary shares of US\$ 0,20 each | <u>11.100.000</u>                | <u>11.100.000</u>                    |

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25. Operating segments

**1.1 Reportable segments**

The group mainly operates in a single industry segment as a distributor of IT products. The group's operating segments are based on geographic location, and the measure of segment profit is profit from operations. The group operates in four principal geographical areas – Former Soviet Union, Central Eastern Europe, Western Europe and Middle East & Africa.

**1.2 Segment revenues**

|                        | For the six months ended<br>30 June 2012<br>US\$ | For the six months ended<br>30 June 2011<br>US\$ |
|------------------------|--|--|
| Former Soviet Union    | 300.025.628                                      | 260.158.478                                      |
| Central Eastern Europe | 249.772.567                                      | 222.990.817                                      |
| Western Europe         | 55.968.271                                       | 53.162.494                                       |
| Middle East & Africa   | 115.369.786                                      | 93.624.479                                       |
| Other                  | 23.802.130                                       | 22.562.556                                       |
|                        | <u>744.938.382</u>                               | <u>652.498.824</u>                               |

**1.3 Segment results**

|                                      | For the six months ended<br>30 June 2012<br>US\$ | For the six months ended<br>30 June 2011<br>US\$ |
|--------------------------------------|--|--|
| Former Soviet Union                  | 3.737.331  | 2.602.513  |
| Central Eastern Europe               | 1.419.743  | (287.478)  |
| Western Europe                       | 345.558  | 273.421  |
| Middle East & Africa                 | 996.350  | (352.067)  |
| Other                                | 225.519  | 100.759  |
| <b>Profit from operations</b>        | <u>6.724.501</u>                                 | <u>2.337.148</u>                                 |
| Net financial expenses               | (3.807.692)                                      | (5.147.420)                                      |
| Other gains and losses               | 342.317  | 152.464  |
| Share of loss from joint ventures    | (92.947)   | (160.768)  |
| <b>Profit/(loss) before taxation</b> | <u>3.166.179</u>                                 | <u>(2.818.576)</u>                               |

**1.4 Inter-segment revenues**

| Selling segment | Purchasing segment   | For the six months ended<br>30 June 2012<br>US\$ | For the six months ended<br>30 June 2011<br>US\$ |
|-----------------|----------------------|--|--|
| Western Europe  | Middle East & Africa | 962.632  | 997.095  |

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25. Operating segments (continued)

*1.5 Segment capital expenditure (CAPEX)*

|                        | As at<br>30 June<br>2012<br>US\$ | As at<br>31 December<br>2011<br>US\$ |
|------------------------|----------------------------------|--------------------------------------|
| Former Soviet Union    | 5,480,182                        | 5,178,003                            |
| Central Eastern Europe | 10,760,040                       | 11,453,320                           |
| Western Europe         | 282,736                          | 381,430                              |
| Middle East & Africa   | 3,878,678                        | 4,025,647                            |
| Unallocated            | 7,316,505                        | 7,643,694                            |
|                        | <u>27,718,141</u>                | <u>28,682,094</u>                    |

*1.6 Segment depreciation and amortisation*

|                        | For the six<br>months ended<br>30 June 2012<br>US\$ | For the six<br>months ended<br>30 June 2011<br>US\$ |
|------------------------|---|---|
| Former Soviet Union    | 212,223   | 213,955   |
| Central Eastern Europe | 493,453   | 581,007   |
| Western Europe         | 99,113  | 126,351   |
| Middle East & Africa   | 200,206   | 188,208   |
| Unallocated            | 306,127   | 426,894   |
|                        | <u>1,311,122</u>                                    | <u>1,536,415</u>                                    |

*1.7 Segment assets*

|   | As at<br>30 June<br>2012<br>US\$ | As at<br>31 December<br>2011<br>US\$ |
|---|----------------------------------|--------------------------------------|
| Former Soviet Union                           | 165,420,446                      | 180,309,160                          |
| Central Eastern Europe                        | 92,674,959                       | 123,512,702                          |
| Western Europe                                | 31,580,638                       | 33,416,766                           |
| Middle East & Africa                          | 57,407,779                       | 57,489,213                           |
| Total   | <u>347,083,822</u>               | <u>394,727,841</u>                   |
| Assets allocated in capital expenditure (1.5) | 27,718,141                       | 28,682,094                           |
| Other unallocated assets                      | 13,764,977                       | 15,340,901                           |
| Consolidated assets                           | <u>388,566,940</u>               | <u>438,750,836</u>                   |

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**26. Cash and cash equivalents**

|                           | <b>As at<br/>30 June<br/>2012<br/>US\$</b> | <b>As at<br/>31 December<br/>2011<br/>US\$</b> |
|---------------------------|--|--|
| Cash at bank and in hand  | 8.747.491                                  | 48.868.023                                     |
| Bank overdrafts (note 21) | (39.136.557)                               | (29.616.717)                                   |
|                           | <u>(30.389.066)</u>                        | <u>19.251.306</u>                              |

The cash at bank and in hand balances include an amount of US\$ 1.720.207 (31 December 2011: US\$ 1.859.022) which represents pledged deposits.

**27. Transactions and balances of key management**

|   | <b>For the six<br/>months ended<br/>30 June 2012<br/>US\$</b> | <b>For the six<br/>months ended<br/>30 June 2011<br/>US\$</b> |
|---|---|---|
| Directors' remuneration - executive               | 307.820   | 308.973   |
| Directors' remuneration - non executive           | 21.512  | 21.082  |
|   | <u>329.332</u>  | <u>330.055</u>  |
|   | <b>As at<br/>30 June<br/>2012<br/>US\$</b>                    | <b>As at<br/>31 December<br/>2011<br/>US\$</b>                |
| Amount due to directors – executive (note 19)     | 2.860   | 6.449   |
| Amount due to directors – non-executive (note 19) | 11.507  | 10.043  |
|   | <u>14.367</u>   | <u>16.492</u>   |

**28. Commitments and contingencies**

As at 30 June 2012 the group was committed in respect of purchases of inventories of a total cost value of US\$ 1.670.642 which were in transit at 30 June 2012 and delivered in July 2012. Such inventories and the corresponding liability towards the suppliers have not been included in these financial statements since, according to the terms of purchase title of the goods had not passed to the group as at the period end.

As at 30 June 2012 the group was contingently liable in respect of bank guarantees of US\$ 10.162.398 (31 December 2011: US\$ 8.704.773) which the group had extended mainly to its suppliers.

As at 30 June 2012 the group had no other capital or legal commitments and contingencies.

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| 29. Goodwill                     | As at<br>30 June<br>2012<br>US\$ | As at<br>31 December<br>2011<br>US\$ |
|----------------------------------|----------------------------------|--------------------------------------|
| At 1 January                     | 550.517                          | 600.730                              |
| Goodwill written off (note ii)   | -                                | (50.213)                             |
| At 30 June/ 31 December (note i) | <u>550.517</u>                   | <u>550.517</u>                       |

i. The capitalized goodwill arose from the business combinations of the following subsidiary:

|                           | As at<br>30 June<br>2012<br>US\$ | As at<br>31 December<br>2011<br>US\$ |
|---------------------------|----------------------------------|--------------------------------------|
| Megatrend D.O.O. Sarajevo | <u>550.517</u>                   | <u>550.517</u>                       |

ii. The write-off of goodwill relates to the business combinations of the following subsidiaries:

|                        | As at<br>30 June<br>2012<br>US\$ | As at<br>31 December<br>2011<br>US\$ |
|------------------------|----------------------------------|--------------------------------------|
| Euromall Bulgaria EOOD | -                                | 41.416                               |
| ION-Ukraine LLC        | -                                | 8.797                                |
|                        | <u>-</u>                         | <u>50.213</u>                        |

| 30. Investments in joint ventures  | As at<br>30 June<br>2012<br>US\$ | As at<br>31 December<br>2011<br>US\$ |
|--|----------------------------------|--------------------------------------|
| <b>Cost</b>  |                                  |                                      |
| At 1 January   | 626.400                          | 737.997                              |
| Decrease in share capital  | -                                | (111.597)                            |
| At 30 June/ 31 December  | <u>626.400</u>                   | <u>626.400</u>                       |
| <b>Accumulated share of profits from joint ventures</b>                                |                                  |                                      |
| At 1 January   | (238.775)                        | (52.365)                             |
| Share of losses from joint ventures during the period/year                             | (92.947)                         | (186.410)                            |
| At 30 June/ 31 December  | <u>(331.722)</u>                 | <u>(238.775)</u>                     |
| <b>Investments in joint ventures recorded under the equity method of consolidation</b> | <u>294.678</u>                   | <u>387.625</u>                       |

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**31. Business combinations**

**1. Acquisitions**

**1.1. Acquisition of shares from non-controlling interests to 30 June 2012**

During the period the group acquired the remaining 33,33% of the share capital of CJSC "ASBIS" in Belarus from the non-controlling interests and now owns the full 100% of its share capital. From the difference between the group's interest in the net assets acquired and the consideration paid, the following loss arose:

- Loss on the acquisition of shares from non-controlling interest of CJSC "ASBIS" of US\$ 6.379 which was credited directly to equity.

| <u>Name of entity</u> | <u>Type of operations</u> | <u>Date acquired</u> | <u>% acquired</u> | <u>% owned</u> |
|-----------------------|---------------------------|----------------------|-------------------|----------------|
| CJSC "ASBIS"          | Information Technology    | 1 June 2012          | 33,33%            | 100%           |

**1.2. Acquired assets and liabilities**

The net carrying value of underlying separately identifiable assets and liabilities transferred to the group at the date of acquisition was as follows:

|   | <b>As at<br/>30 June<br/>2012<br/>US\$</b> |
|---|--|
| Net identifiable assets and liabilities | 880.863                                    |
| Group's interest in net assets acquired | 293.621                                    |
| Total purchase consideration            | (300.000)                                  |
| Loss on the acquisition through equity  | (6.379)                                    |

**2. Disposals of subsidiaries**

**2.1. Disposals to 30 June 2012**

During the period the group sold 100% of the share capital of ASBIS KOREA CO. LTD. From the difference between the group's interest in the net assets sold and the consideration received, the following loss arose:

- Loss on sale of ASBIS KOREA CO. LTD of US\$ 475 which was debited to the income statement

| <u>Name of disposed entity</u> | <u>Type of operations</u> | <u>Date sold/ liquidated</u> | <u>% sold</u> |
|--------------------------------|---------------------------|------------------------------|---------------|
| ASBIS KOREA CO. LTD            | Information Technology    | 22 June 2012                 | 100%          |

**2.2. Disposals 2011**

During the year 2011 the group sold 100% of the share capital for one of its dormant subsidiaries ION Ukraine. From the difference between the group's interest in the net assets sold and the consideration received, the following gains arose:

- Gain on sale of ION Ukraine of US\$ 10.224 which was credited to the income statement

| <u>Name of disposed entity</u> | <u>Type of operations</u> | <u>Date sold/ liquidated</u> | <u>% sold</u> |
|--------------------------------|---------------------------|------------------------------|---------------|
| ION UKRAINE                    | Information Technology    | 12 December 2011             | 100%          |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**31. Business combinations (continued)**

**2. Disposals of subsidiaries (continued)**

**2.3. Disposed assets and liabilities**

The net carrying value of underlying separately identifiable assets and liabilities disposed from the group at the date of disposal were as follows:

|   | As at<br>30 June |  |              |
|---|------------------|--|--------------|
|   | 2012<br>US\$     |  | 2011<br>US\$ |
| Tangible and intangible assets                      | 11.574           |  | -            |
| Inventories   | 135.411          |  | -            |
| Receivables   | 30.526           |  | -            |
| Tax receivable                                      | -                |  | 41           |
| Other receivables                                   | 60.430           |  | -            |
| Payables and accruals                               | (92.800)         |  | (3.803)      |
| Short term loans                                    | (17.387)         |  | -            |
| Cash and cash equivalents                           | (112.803)        |  | 109          |
| Net identifiable assets and liabilities             | 14.951           |  | (3.653)      |
| Group's interest in net assets and liabilities sold | 14.951           |  | (3.653)      |
| (Loss)/gain on sale of subsidiaries                 | (475)            |  | 10.224       |
| <b>Total sale consideration received</b>            | <b>14.476</b>    |  | <b>6.571</b> |
| Net cash flow arising on transfer:                  |                  |  |              |
| Total sale consideration received                   | 14.476           |  | 6.571        |
| Cash and cash equivalents disposed                  | 112.803          |  | (109)        |
| <b>Net cash inflow</b>                              | <b>127.279</b>   |  | <b>6.462</b> |

**2.4. Financial information regarding disposed subsidiaries**

|                        | 1 January to<br>disposal date<br>2012<br>US\$ | 1 January to<br>disposal date<br>2011<br>US\$ |
|------------------------|---|---|
| Revenue for the period | -   | -   |
| Loss for the period    | -   | (1.355)                                       |

**32. Comparative figures**

Where necessary, comparative figures have been restated to coincide with the presentation of the current period's condensed financial statements.

**33. Events after the reporting period**

No significant events occurred after the end of the reporting period.